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# **The State of Fundraising Within the Nonprofit Social Service Sector:**

**A study to determine how and to what levels of success South African NPOs are managing and operating their fundraising functions**

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## **DECLARATION**

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## Dedication

My biggest thanks and gratitude go to my wife, Blue, for supporting me through this process and putting up with all the late nights and time away from family, and for looking after our son, Sonam, when I was busy working. And to Sonam, for allowing Dad to spend so much time in the office and not getting upset because he couldn't come out to play. I love you two immensely.

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## Abstract

This study sought analyse the state of fundraising within the South African nonprofit social service sector at the end of the 2007/2008 financial year. The overall aim of the study was to evaluate the fundraising capacities of social service organisations, in order to ascertain whether organisations were proficient in their fundraising-related activities. Research objectives included the identification of organisations' levels of engagement with fundraising monitoring and evaluation procedures, the ranking of organisations in terms of their respective fundraising efficiencies, the description of methods, sources, staffing and strategies that comprised organisations' fundraising functions, the exploration of respondents' perceptions of funding-related issues, the identification of factors influencing respondents' funding-related perceptions, and the suggestion of a fundraising structure as a potential solution to overcoming fundraising difficulties. A quantitative approach to the study was adopted due to the study's focus on financial and numeric data, which would be used to evaluate organisations' fundraising abilities and associated organisational characteristics. A purposive national population was used, based on the criteria of organisations employing at least one social worker and belonging to a national body within their respective fields of service. Data was collected by sending electronic questionnaires - that consisted primarily of multiple choice questions and Likert-scale statements - to 186 organisations. Ninety-six organisations responded, eight of which were national bodies, resulting in a response rate of 51.6 percent. Audited financial statements for the 2007/2008 financial year were also received from respondents as secondary data for analysis. Data was analysed primarily by calculating descriptive statistics, and in some cases correlations were calculated to assess whether any significant relationships existed between variables. Reported financial data was compared to data extracted from audited financial statements to ascertain the degree of accuracy of respondents' reported data. It was found that data was in most cases inaccurate and therefore could not be used for the purpose of meaningful analysis. It was suggested by the researcher that organisations had generally engaged very minimally or not at all with fundraising-related monitoring and evaluation procedures, and that the inaccuracy of reported data was indicative of this lack of engagement. The researcher identified four key findings that emerged from the study: organisations had not been managing their fundraising functions sufficiently; there is a desperate need for strong leadership within the field of fundraising; organisations should change the way in which they view state funding, and; a more business-like approach to fundraising should be adopted. Finally, the researcher suggested an organisational structure that could be utilised by smaller organisations to improve their fundraising performances, in which organisations would form into clusters and set up umbrella structures that handle collective fundraising matters.

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# Chapter 1 Introduction

Nonprofit organisations exist throughout the world, and are particularly active in South Africa. The defining characteristic of a nonprofit organisation is that any profits that are made through the organisation's activities are not distributed to shareholders, but are instead channelled back into the organisation for the purpose of carrying out its mission. Nonprofit organisations' missions may not necessarily be charitable in nature - sports clubs, for example, are usually run according to nonprofit specifications - but for the purposes of this research the nonprofit organisations referred to in this report shall be considered to be charitable organisations with foci on social service delivery and social development work.

Fundraising is an essential component of any nonprofit organisation. Without funding, organisations would be unable to pay salaries to skilled staff who are essential components of organisations' service provision, nor would they be able to pay for running costs such as rent, petrol and telecommunications. Statistics and empirical evidence indicates that social problems - poverty, unemployment, the proliferation of preventable illness, crime, drugs, HIV/AIDS, teen pregnancies, rape - are increasing at a rapid rate. These social problems affect poor and marginalised communities the most, and often these communities have little support other than nonprofit organisations operating in their areas, as the state cannot cope with the increasing needs and demands for service delivery. If nonprofit organisations are sub-categorised further, an important nonprofit sub-classification for the purposes of this study would be the social service organisation. These organisations generally focus on providing social services in a similar context to the manner in which the state provides social services.

Essential to the tackling of social issues are direct social service staff, which includes social workers. Social workers play key roles in assisting poor and marginalised individuals and communities to overcome their psychological, emotional and environmental difficulties. Because of the extensive training that social workers receive, they are paid more than their less-qualified direct social service provider staff colleagues. Social workers' salaries are certainly not high by corporate standards, but in the context of nonprofit organisations they can constitute a very high proportion of organisational expenditure. There is currently a shortage of social workers in relation to the dire social needs of a large number of South Africans, and if nonprofit organisations are to make a significant difference in marginalised communities through the delivery of social services they will be required to increase their annual revenues. Much of this revenue is received in the form of state subsidies for social workers, but these subsidies are only partial and the resulting salaries that are paid to social workers within nonprofit social service organisations is significantly lower than those received by social workers working within government departments.

In the past, organisations were able to receive revenue from government departments and large private donors based on the fact that social needs existed and nonprofit organisations existed simultaneously to address those needs. Nonprofit organisations were able to spend or misspend their funding however they wished without having to be transparent and accountable to their donors and client communities. As a result, nonprofit organisations became notoriously inefficient, and often ineffective in delivering their services. The funding environment has matured over the last several decades, and it is widely held that the collective nonprofit sector is lagging behind these developments. Organisational management

is in many cases still inefficient, and social services are often not provided in a planned and coordinated manner.

Nonprofit organisations' effectiveness, impacts, efficiencies and fundraising capacities were not nearly as vital several decades ago as they are in today's funding environment, in which many organisations of varying competencies are constantly vying for funding from what seems to be a limited pool of potential revenue. In this funding climate - where organisations must now be able to demonstrate organisational and programme effectiveness and efficiency, must be transparent in their financial management and accountable to both their donors and their client communities - nonprofit social service organisations are being forced to reinvent the ways in which they operate and finance their activities.

Fundraising has now become an essential component of organisational management, but anecdotal evidence and some local research suggests that South African social service organisations are still not placing enough importance on ensuring that fundraising functions are performed effectively and efficiently. It appears as if much of social service organisations' fundraising activities are still being performed on an ad hoc basis, and that organisations are battling to secure the funding that they require to continue with their operations. It is for this reason that this study was initiated. The researcher wished to ascertain the fundraising capacity levels of social service organisations, and to interrogate the degrees to which these organisations engaged in evaluating their fundraising efficiencies and effectiveness.

The extent of international research that has been conducted within the field of fundraising is quite minimal, and almost nonexistent within the more specific context of fundraising by social service organisations with South Africa. From reviewing international research, the researcher came across several studies that dealt with the issues of fundraising effectiveness and efficiency, fundraising dependency and other matters pertaining to fundraising within the nonprofit sector. Drawing mostly from a US study conducted by Brooks (2005), the researcher made one of the objectives of this study to calculate the fundraising efficiency ratios of local social service nonprofit organisations (i.e. the amount of money that organisations spend on raising money, and the proportion of fundraising expenses to total organisational expenses) and then to rank those organisations in terms of their respective fundraising efficiencies. From this ranking database it was hoped that a benchmark for fundraising performance could be identified, which would enable other social service organisations to evaluate their own fundraising efficiencies against established norms and standards.

The research aimed to capture a snapshot of the state of fundraising within the welfare nonprofit sector through conducting a national quantitative survey by means of an electronic questionnaire. This snapshot would include data relating to fundraising staff issues, fundraising practices, fundraising sources, fundraising planning and strategising, and staff perceptions of fundraising related issues. In addition to the reported data gathered through the questionnaires, the researcher obtained copies of organisations' audited financial statements for the 2007/2008 financial year. This would enable a comparison between reported and extracted financial data to be made, which would determine the accuracy of respondents' reported data.

If particular fundraising strengths and weaknesses could be identified then this would enable organisations to focus their efforts on rectifying any fundraising-related capacity issues. Based on the fundraising

trends and patterns that emerged from the research, the researcher would suggest a fundraising model that organisations would be able to follow in order to enhance their fundraising capacities. The importance of this research is emphasised in light of the current global financial crisis that is affecting financial flows around the world, as well as in light of the recent drafting and reworking of national and provincial government funding policies for social service nonprofit organisations, which have in reality not been adhered to by state funding mechanisms. Within this complex maze of donor-nonprofit relationships and apparent widespread funding instabilities and uncertainties, the researcher sought to find a bit of order.

The following section shall outline the design and methodologies that were utilised within the research process so that a clearer, ordered picture of the state of fundraising within the social service nonprofit sector in South Africa could emerge. After that, the results that emerged from the study shall be presented and their results contextualised against other findings from the study and against the reviewed literature. Conclusions and recommendations shall then be offered in the final section of the report. It shall become apparent in this report that the state of fundraising within the South African social service sector is generally not of a high standard, although of course there are a fair amount of cases in which organisations demonstrated exceptional fundraising abilities, knowledge and skills. Fundraising in South Africa will thus be shown to have great potential that needs to be stimulated and developed if organisations are to be able to meet the ever-increasing need for their services.



## Chapter 2: Design and methodology

In this chapter, the design and methodology of this study shall be explained. Having a thorough understanding of - and knowing the theoretical motivation behind - the way in which the research was carried out is essential for placing the findings and outcomes of the study into context. This information is also essential for determining the validity and accuracy of the data gathered through the research process, and well as of the limitations of the study. To begin with, key concepts relating to the study shall be defined, after which the aims and objectives of the study shall be outlined. The theoretical grounding of the study and resulting methodology shall then be discussed, followed by a reflection on the researcher's reflexivity within the study, and finally a review of the study's limitations.

### 2.1 Operationalisation of concepts

This study required that certain fundraising-related concepts were unambiguously defined so that respondents would provide reliable answers. Prior to sending out questionnaires for the study, the researcher had been unable to find any broadly agreed-upon definitions of fundraising-related terms. The use of the terms defined below would therefore have differed between individuals and organisations. For this reason many of these conceptual terms were explicitly defined in the questionnaire itself, and respondents were instructed to use these definitions when completing the questionnaire.

#### *Nonprofit organisation (NPO)*

Organisations that are registered in terms of the Nonprofit Organisations Act (No. 71 of 1997) and/or under Section 21 of the Companies Act (No 61 of 1973), as discussed in section 3.2.3 of this report, were considered to be NPOs for the purposes of this research.

#### *Social services*

Services rendered by direct social service staff to clients within the six fields of service described below.

#### *Fields of service*

Distinguishes the organisation's primary service orientation. Six fields of service were identified: child and family welfare; marriage and relationship counselling; the aged; the physically challenged; the mentally challenged; crime and rehabilitation; substance abuse. Each organisation may operate to varying degrees in secondary fields of service.

#### *National body*

A national organisation that represents affiliated social service organisations within South Africa, or a central office that has branches across the country. The author was aware that some organisations referred to their national bodies as head offices or national councils, but for standardisation purposes they were all referred to as national bodies in the questionnaire. Respondents were informed of this use of terminology at the beginning of the questionnaire.

### *Social service organisation (SSO)*

For this study, an SSO shall be classified as an NPO that provides social services. An SSO, as the unit of analysis for this study, takes the physical form of a single-location administrative and service-provision office. Only SSOs that have formal ties to at least one national body have been included in this study due to their dominance in numbers over small SSOs.

### *Social worker*

An individual who is registered with the South African Council of Social Service Professions (SACSSP) as a Social Worker under Social Service Professions Act (No 110 of 1978), as amended.

### *Direct social service staff*

Staff employed by a social service organisation to deliver social services to clients. These staff may include social workers, social auxiliary workers, health professionals, teaching professionals, childcare workers and development workers. They need not necessarily be registered with any formal association.

### *Fundraising activities*

For the purposes of this study, this implies the deliberate seeking out and soliciting of finance for NPO activities. This definition is contentious because applying for funding from government or funding intermediaries (such as the National Lotteries Distribution Trust Fund - funding derived from a national game of chance commonly referred to as the Lotto - or the Community Chest) has not been classified as a fundraising activity. A limited degree of work and effort goes into submitting such applications, but the researcher feels that there is too little initiative and active seeking out of funds involved. Fundraising activities **may** take the forms of direct appeal, mass appeal, formal appeal, collecting fees and memberships, operating capital ventures and the staging of special events, but **do not** include receiving returns on capital investments, nor do they include applying for government grants, nor applying for funds from funding intermediaries (Community Chest, Lotto, etc). This definition was supplied to the respondents of the questionnaire. The researcher was aware that many of the respondents may have wished to challenge this definition, but he requested that this definition be used so that the results could be analysed and interpreted more accurately.

### *Fundraising revenue (FR)*

The Rand value of money earned through fundraising activities. *FR* therefore comes from companies, individuals (including bequests), groups, religious organisations, trusts, foundations, fees, memberships, capital ventures, special events and the provision of private services. *FR* does not include funds received from returns on investments, government grants or funding intermediaries.

### *Fundraising expenditure (FC)*

The Rand value of the total cost of obtaining fundraising revenue through performing fundraising activities. The most obvious fundraising costs are spent on fundraising staff salaries and the costs of organisational resources that are used for fundraising activities.

### *Fundraising effectiveness*

This refers to an organisation's ability to raise the finance necessary to maintain organisational solvency. An effective organisation will be able to meet all its capital and operational costs by obtaining the necessary finance (other than that obtained from Government, funding intermediaries and return on investments) through fundraising activities.

### *Fundraising efficiency*

An organisation is efficient at fundraising if it obtains its fundraising revenue by spending as little as possible on fundraising costs. Fundraising efficiency implies a relatively high ratio of  $FR/FC$ .

### *Organisational efficiency*

An organisation's ability to provide its core services with the lowest administrative cost, without sacrificing service quality and quantity. In this study it shall be measured using the proportion of total organisational costs to administrative costs ( $TC/AC$ , where  $TC$  is total organisational costs and  $AC$  is total administrative costs). As discussed above, organisations that are shown by this measurement to be efficient are not necessarily **effective** (i.e. the social services that they deliver do not necessarily have a strong impact on their client communities).

### *Fundraising dependency*

The extent to which an organisation relies on its revenue derived from fundraising activities to meet its operational and capital expenses. Fundraising dependency takes the form of a ratio of  $FR/TR$ .

## **2.2 Research aims and objectives**

The main aim of this study was to describe the degrees of fundraising effectiveness and efficiency amongst South African social service nonprofit organisations. The intention was to capture a clear snapshot of the state of fundraising within the social service nonprofit sector. In order to achieve this research aim, five research objectives were formulated:

### **Research objective 1**

To explore the ability and accuracy with which organisations are able to define their fundraising operations in financial terms, by comparing:

- 1) Reported financial data with data extracted from organisations' audited financial statements; and
- 2) Reported fundraising-specific financial data with fundraising-specific data extracted from organisations' audited financial statements.

## **Research objective 2**

If the data gathered through the first research objective shows that organisations' fundraising-related financial data is accurate and reliable, the second research objective will be to rank all participating SSOs according to their respective abilities to fundraise effectively and efficiently, by determining:

- 1) The respective amounts of funding that they are able to recover from every Rand spent on fundraising activities;
- 2) The respective proportions of organisational administrative expenses that are spent on fundraising activities; and
- 3) The extents to which organisations rely on fundraising revenue to remain solvent.

## **Research objective 3**

To describe the activities and organisational structures that SSOs utilise to raise funds, by establishing:

- 1) The methods used by SSOs to raise funds;
- 2) The sources from which SSOs receive funds;
- 3) The personnel who are involved in fundraising, and what their fundraising responsibilities are;
- 4) The degree to which SSOs plan and strategise for their fundraising; and
- 5) The nature of financial relationships between SSOs and their national bodies.

## **Research objective 4**

To explore the perceptions of SSO senior staff regarding fundraising- and finance-related issues, by investigating their perceptions regarding:

- 1) Organisational financial stability and strength;
- 2) Organisational fundraising policies, practices and abilities;
- 3) Extent and availability of funding; and
- 4) Government's and funding intermediaries' grant-making policies and practices.

## **Research objective 5**

To explore the factors influencing perceptions on fundraising and financial issues, by comparing these perceptions to gathered numeric data on staffing, finances, fundraising activities and funding sources.

## **Research objective 6**

To suggest an option of a fundraising structure that could be utilised by social service organisations (and other nonprofit organisations) to improve their respective fundraising abilities, based on findings that emerge from the data.

## 2.3 Research design

A quantitative research approach was used for this study. Babbie and Mouton (2001:49) indicate that quantitative research involves an emphasis on the quantification of constructs, "... i.e. assigning numbers to the perceived qualities of things." The quantitative paradigm is rooted in the positivist approach to understanding phenomena, which is based on the premise that social sciences can be approached in the same manner as the natural sciences, as social and natural phenomena are thought to be sufficiently similar. It has been argued that:

Science seeks to generate confirmable propositions by fitting a formal system of symbols (language, mathematics, logic) to empirical observations, and the propositions of science have empirical significance only when their truth can be demonstrated by a set of concrete operations.

Babbie and Mouton, 2001:50

A positivist argument for this research paradigm is that the natural sciences enjoy more comprehensive and evolved research methodologies due to the longer period of time over which these methodologies have been refined (Babbie and Mouton, 2001:22). This paradigm was adopted for this study because the field of fundraising lends itself to empirical measurement. There is certainly a significant qualitative element to fundraising that cannot be measured empirically – for example, identifying personality traits of fundraising staff that resulted in fundraising success would require face-to-face interviews. However, when it comes to measuring the abilities of organisations to fundraise and the mechanisms that they employ in performing their fundraising, a quantitative approach to research is more appropriate. The research draws heavily on financial data and quantifiable constructs such as numbers of fundraising staff employed by organisation. Measurable variables such as types of fundraising activities and sources of funding are central to determining fundraising "behaviour" of organisations. Statistical analysis also enables an impartial assessment of whether or not organisations fundraise effectively and efficiently, and what measurable behavioural variables are associated with good or bad fundraising. The aims and objectives of the research therefore easily lend themselves to a quantitative research paradigm.

This study is both explorative and analytical, in that it aims to explore and analyse the state of fundraising amongst South African SSOs. The study also has a descriptive element to it in that it aims to capture a snapshot of organisations' methods, activities, strategies, sources and management that are associated with the fundraising function. The study is a multiple-location study, as its population is spread across the whole country. An inductive approach to the research was adopted due to the fact that no similar studies had been conducted on this subject locally, and there was therefore no reliable data from which to make informed predictions.

## 2.4 Research methodology

### 2.4.1 Population

The unit of analysis in this study was the social service organisation (SSO). The biggest obstacle in selecting a sample of the research population was that there was no comprehensive list of SSOs in existence. While past efforts had been made to map out and identify the size and scope of nonprofit organisations in South Africa (Swilling and Russell, 2002), a comprehensive database of all registered and unregistered NPOs registered in the country remains elusive. Identifying organisations within the study's population was made easier by the fact this study deals with the social service nonprofit sub-sector rather than the nonprofit sector as a whole. This narrowed the population to organisations that were more likely to be included in a formal database. SSOs are relatively more formalised and structured than general nonprofit organisations, as they deal with clients that require statutory intervention (Swilling and Russell, 2002).

### 2.4.2 Sample

A comprehensive database of SSOs would have enabled the study's sampling methodology to have leaned more towards random (probability) sampling. Babbie and Mouton (2001) argue that random sampling methods help to overcome conscious and unconscious sampling bias within researchers, and that random samples are more likely to include respondent demographics that are representative of the broader population, which would enable research findings to be generalised. The researcher's attempts to find an SSO database that would have allowed for a random sample revealed that such a database did not exist. The major issue was that no comprehensive database categorised organisations as SSOs, and it was therefore not possible to refine an existing broader database.

One potential source of a social service organisations database was the PRODDER directory published by the South African Non-Governmental Organisations Coalition (SANGOCO), the umbrella body for South African NPOs. Nonprofit organisations are listed according to several classification systems, one of which was organisational type. SSOs are therefore listed together in this directory. However, the directory only includes organisations that list themselves voluntarily, and as such it is not possible to consider this directory to be exhaustive (Swilling and Russell, 2002). There was no way of calculating the percentage of organisations that had been omitted from this directory, and drawing a sample from this database would have therefore been problematic.

After the Prodder directory, the next seemingly obvious source of an existing SSO database was the national Department of Social Development, in which the NPO Directorate is responsible for registering and monitoring organisations in terms of the Nonprofit Organisations Act (No 71 of 1997). It was hoped that the Directorate had a categorised inventory of its registered organisations, and that SSOs around the country could be identified and included in the sample based on this database. However, the Directorate could only go so far as to provide the researcher with a list of national bodies that were funded by the national Department of Social Development, as a categorised inventory of registered SSOs did not exist. The list of social service national bodies obtained from the Directorate appears as Appendix A.



However, the list was found to have been incredibly out of date. So much so, that one of the organisations, Diakonale Dienste, did not even exist anymore, having merged to form Badisa as far back as 2003 (four years earlier). Another national body, Epilepsy South Africa (ESA) was listed under its old name of the South African National Epilepsy League (SANEL). The state of this list is worrying considering that these organisations were supposed to have been funded by the Department. The researcher thus decided that the population would have to be sampled purposefully so that representative organisations would be included in the research. Babbie and Mouton (2001:166) support the researcher's decision to sample purposefully, as they state that "Sometimes it is appropriate for you to select your sample on the basis of your own knowledge of the population, its elements, and the nature of your research aims: in short, based on your judgement and the purpose of the study." The researcher had had extensive training within the field of social services, and therefore had sufficient knowledge of social service organisations to justify a purposive sample based on the information that he wished to obtain. It must be emphasised that the purposive sampling methodology was not the researcher's ideal choice methodology, but rather a methodology that was adopted by default. The lack of existing population databases therefore precluded a random sampling methodology from being adopted.

Additional national bodies and their affiliates were thus purposefully identified and included in the sample, and some national bodies from the original list were excluded. Three SSOs that fell into the child and family welfare category, namely Die Ondersteuningsraad, AFM Welfare Services and SAVF, were omitted from the researcher's final population list because that category had far more national bodies than other categories, and their total sizes were relatively small in comparison to other national bodies within the same category. The Cancer Association was also omitted from the final population list because it was felt that a large proportion of the organisation's resources would be used for medical-related services that could not be considered to be social services.

Of the prominent national bodies that were not listed as being state-funded, the Association for the Physically Disabled (APD), was included in the final population list, as was the South African National Council for the Blind (SANCB). APD was thought likely to have a high level of fundraising dependency (not being funded by the state at national level) and would thus provide interesting data. SANCB were included because the original list did not include any national councils catering exclusively for the blind.

Further purposive sampling criteria were then introduced to the purposively-created sample to ensure that the most appropriate organisations would be included in the study. Firstly, only organisations that employed at least one full-time social worker were included in the sample. This was done because SSOs that employed social workers were more likely to have had larger operating budgets than organisations that did not employ social workers, due to the relatively higher salaries required by social workers. Exceptions were made for provincial offices of national bodies, which were included in the sample regardless of whether or not they employed any full-time social workers. The researcher also wished for the sample to be at least somewhat representative of the various fields of service defined above. It was thus decided that at least one national body from each field of service would be included in the sample, and that some national bodies would be omitted from whatever fields of service were oversubscribed. This would be done so that variables within the data could be compared between fields of service when

the data would be analysed. The final measure of eligibility for inclusion in the study was the existence of a valid e-mail address. The questionnaires were to be sent via internet hyperlinks in e-mails, making e-mail and internet access essential. It was also felt that organisations that did not have e-mail facilities would be less significant as far as fundraising was concerned, as they would likely be quite small if they did not even have one computer with a working internet connection.

Once the national bodies comprising the sample had been established, the researcher contacted them to seek their permission to include their affiliates/branches in the survey. Verbal and written requests were made to thirteen national bodies, and eight bodies agreed that they and their affiliated SSOs or branches could participate. These bodies are listed in table 2-1, categorised by their fields of service.

**Table 2-1: National body composition of population, by field of service**

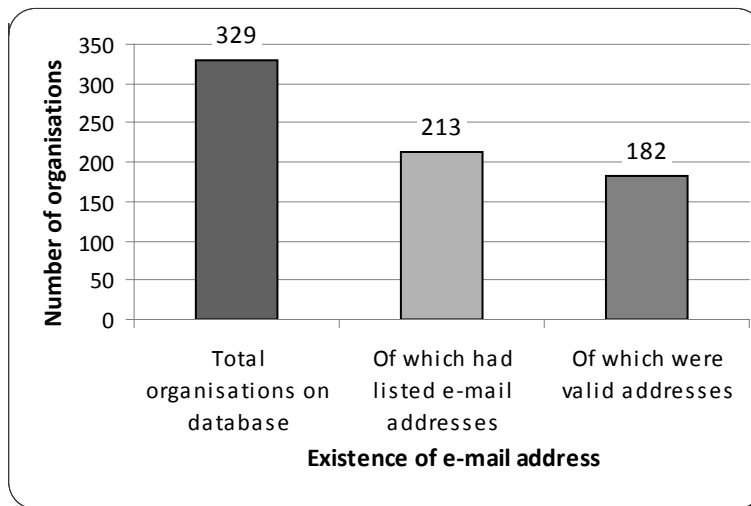
Field of service	SSO name
Child and family welfare	SA National Council for Child and Family Welfare (CWSA)
Marriage and relationship counselling	Family and Marriage Association of South Africa (FAMSA)
The aged	Age-in-Action (AiA)
The physically challenged	Epilepsy South Africa (ESA) Disabled People South Africa South African National Council for the Blind (SANCB)
The mentally challenged	SA Federation for Mental Health (SAFMH)
Crime and rehabilitation	National Institute for Crime Prevention and Reintegration of Offenders (NICRO)
Substance abuse	no organisations

National bodies did not have the mandates to make participation in the survey compulsory amongst their SSOs. Lists of affiliated SSOs and their contact details were obtained from their national bodies. In many cases the researcher was referred to national bodies' websites for contact information. The sample database that was created – consisting of national bodies, their provincial offices and affiliated SSOs – included 329 organisations at this stage. It was found that 116 (35 percent) of these organisations did not have listed e-mail addresses, and they were therefore excluded from the population. This left 213 organisations still eligible for participation within the study.

Before the questionnaires were sent out, individual preliminary e-mails were sent to each SSO on the sample database, advising them that a questionnaire would be arriving shortly afterwards. E-mails that were returned to the sender due to incorrect addresses or recipient server problems were re-sent, and mails that were returned for a second time resulted in these SSOs being removed from the final database. There were 31 such occurrences. The final number of organisations included in the population was thus 182. The refining of the population by the existence of e-mail addresses is presented in graph 2-1.



**Graph 2-1: Existence of valid e-mail addresses in sample**



The graph shows that a total of 147 organisations out of 329 organisations (45 percent) could not be contacted via e-mail. This figure indicates that a large number of nonprofit organisations are at a disadvantage as far as obtaining funding is concerned, as e-mail communication is a vital tool in sourcing and accessing funding. Many of these SSOs would have been small rural organisations that may have had very few staff, scarce resources and difficult access to communications technology.

### **2.4.3 Data Collection**

Data was collected using a survey methodology. Babbie and Mouton (2001) suggest that surveys have the advantages of being able to more reliably describe the characteristics of a large population, and that they allow for a controlled and consistent method of gathering and analysing data. The survey method was used because the results that were sought were quantitative in nature. Self-administered online questionnaires were therefore used to collect data, as they would provide the simplest and most effective method of gathering this data. In addition to data gathered from questionnaires, secondary data was gathered in the form of organisations' audited financial statements for the 2007/2008 financial year, so that reliable financial information could be obtained. The end of the financial year for almost all of respondent organisations would have been 31 March 2008. The Nonprofit Organisations Act (No. 71 of 1997) requires NPOs to have their statements audited within six months of the end of the financial year, and all of these documents should thus theoretically have been available by 1 October 2009. It was predicted that most (if not all) organisations being surveyed would be registered in terms of said Act. Data found in audited financial statements would be assumed to be accurate by virtue of it having been externally audited.

The researcher chose to conduct the survey electronically for numerous reasons. It was assumed that organisations that were more heavily involved in fundraising would have had access to e-mail and the internet. In recent years the internet has become more accessible and affordable in most parts of South Africa with the introduction of broadband connections. Furthermore, it was felt that organisations that were not resourced to the point of having internet access would not likely possess the capacity to

provide the information that was being requested through the questionnaire, and that they would not have been conducting significant fundraising activities.

There were also some practical reasons for using an electronic survey rather than a postal survey. The electronic survey method is a cheaper way of sending out questionnaires than a postal survey, which was made even more cost-effective by the donation of electronic survey software and expertise by PureSurvey. PureSurvey is an online survey company that has developed its own survey software and online databases, primarily for private-sector service and marketing evaluations. The company offered the use of its systems for the study at no charge. Electronic surveys have the advantage of easier data capturing, as this process is automated through the software system. Babbie and Mouton (2001) suggested earlier in the decade, when the use of dynamic web technology was far less prevalent and advanced than it is today, that electronic data collection techniques were more efficient than conventional techniques, and that they did not pose a threat to data quality. However, electronic surveys do have their disadvantages, and technological problems can hamper the completing of questionnaires, as was experienced during the survey. These issues will be discussed below. Excluding organisations from the study on the basis of their having no e-mail address is also problematic, as some innovative grass-roots fundraising initiatives might have been overlooked as a result of this condition.

#### **2.4.4 Research instrument**

The questionnaire was compiled over a process of six drafts that the researcher discussed and refined with his supervisor. The fifth draft was piloted through three individuals who were considered to have had expert knowledge in the field of fundraising and the social service sector, to identify whether any areas of fundraising had been omitted in the questionnaire. From the recommendations made by recipients of the pilot questionnaire further refinements, additions and subtractions to the questionnaire were made. The final questionnaire (Appendix F) was divided into seven sections. The first section asked general questions about the respondents' organisations. The second section asked for responses on perceived financial situations and problems that affected organisations' financial situations. Section three enquired about staff-related information, and focussed on information relating to fundraising staff. Section four focussed on fundraising strategy and planning, and section five related to sources of fundraising revenue and fundraising activities.

The sixth section asked for accurate financial data in Rand values. In order to gather data that the researcher had predicted would not be accessible within financial statements, this section asked respondents to indicate total spending on fundraising activities, organisations' income derived from fundraising activities and the breakdown between organisations' administrative and direct service provision costs during the 2007/2008 financial year. Section seven consisted of likert-scale statements designed to assess perceptions of fundraising-related issues. Two questionnaires were designed – one for SSOs and the provincial offices of national bodies, and the other for the national bodies themselves. The two questionnaires were almost identical, but in some cases questions were added or removed, and references were made to SSOs or national bodies depending on the recipients of the respective questionnaires. Questions were predominantly multiple-choice. In some cases respondents were given the option of being able to select multiple options, and in other cases only one selection could be

made. Respondents were able to select an 'other' option and qualify their responses in text fields. Many questions also asked for specific numeric and/or financial data to be inserted into text fields. An example of the visual appearance of the survey appears in Appendix E.

Once the structure and content of the questionnaires had been completed, the questionnaires were recreated in their final electronic formats. An opening information page was created that explained how to fill in the questionnaire. To test for functionality, the electronic questionnaires were piloted through three individuals that were known to the researcher, without the pilot respondents being given any additional information on how to access and operate the questionnaire. One pilot respondent was known to have had only basic computer knowledge and skills. All the pilot respondents managed to access and complete the electronic questionnaire (using imaginary data) without experiencing any difficulties, and the researcher decided that the questionnaires were suitable for sending out.

As mentioned above, a preliminary e-mail was sent to organisations advising them that the survey would be sent out within the following weeks (Appendix B), and that the survey had been approved by their respective national bodies. This e-mail served to prepare organisations for the survey as well as to identify organisations that did not have valid e-mail addresses. The preliminary e-mail was sent on 2 October 2008. On 21 October 2008 PureSurvey sent out html-formatted e-mails inviting organisations to participate in the study (Appendix C). Basic information about the study and its importance in furthering the body of knowledge around fundraising in South Africa was provided in these e-mails. A hyperlink was included in the e-mail that, if clicked on by the respondent, would open up a web page in a new browser window that contained more detailed information about the study (Appendix D), had respondents wished to find out more. Respondents were advised to click on another hyperlink, appearing as "Start Survey", to go directly to the questionnaire. Clicking on this hyperlink would then open up a web page that contained the first introductory and explanatory page of the questionnaire. A hyperlink to the web page that contained more detailed information was also included in this introductory page. The full contact details of the researcher were made available in all correspondence, and respondents were encouraged to contact the researcher in cases of any queries or technical difficulties. The researcher promised that respondents would receive feedback from the study once the research had been completed. They were also requested to inform the researcher if they did not employ any full-time social workers, which would have made them ineligible to participate in the survey. These organisations would still receive feedback from the research.

Upon the survey hyperlink being clicked and the questionnaire web page being opened, the respondent's computer's IP address – the unique number that identifies his or her computer – was added to the survey website's server-side database. At the end of every section of the questionnaire the respondent was instructed to click a "Go to next section" button to move onto the following section. As this button was clicked the answers that had been entered were captured by the database and the following section would be loaded onto the respondent's web browser. This system meant that respondents were able to return to their partly-completed questionnaires if they were not able to finish them in one session, or if their internet connections were interrupted unexpectedly, provided that they did so from the same computer that had been used originally. This point was explained clearly to the respondents in the introductory

page. The researcher had online access to the survey database in real time, meaning that he was able to view responses as soon as they had been entered by the respondents.

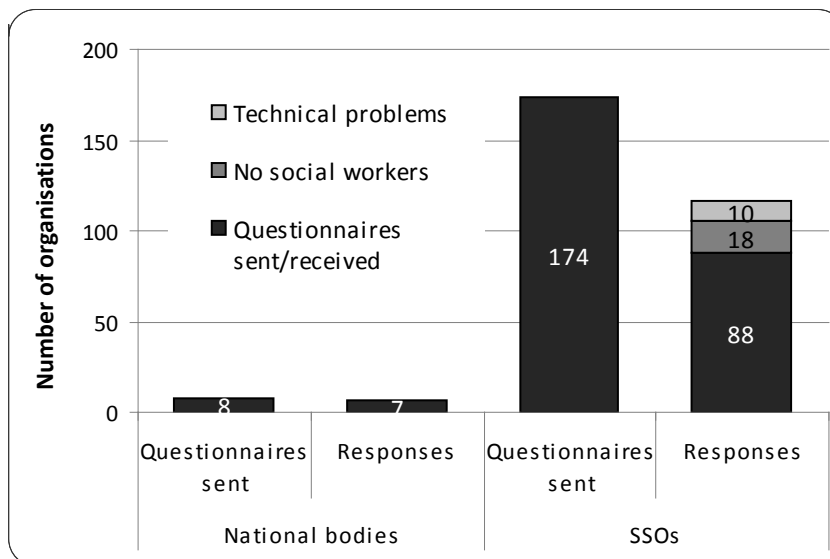
Despite the online questionnaires having been tested extensively by the researcher (including successfully returning to questionnaires that had been partly completed), some technical problems were experienced by a number of respondents. Some respondents were unable to return to their partly completed questionnaires. In such cases, when they clicked on the survey hyperlink in the survey invitation e-mail they would arrive at a blank questionnaire. This problem was caused by their web browsers' cache settings, which had been set to not save temporary internet files. Their responses had been captured on the survey database, but would not reappear on their web browsers. Another problem experienced by several respondents was an inability to access the online questionnaire, caused by stringent computer security settings on their own PCs. This problem was easily rectified if the respondents made the researcher aware of the issue. The researcher would verbally take the respondents through the process of changing the security settings to a level that would allow the computer's IP addresses to be read by the survey programme. The problem of respondents' cache settings was resolved by creating another version of the questionnaire in Microsoft Word (.doc) format. This version was created as a form with locked text fields, which meant that respondents were only able to enter and change text in the spaces where answers were required. Respondents who had partially completed online questionnaires were sent .doc versions of the questionnaire that only contained the questions that they had not yet filled in.

The original deadline for responses had been set for 17:00 on Friday 31 October 2008, which been made clear to respondents. It was felt that most organisations would only fill in the questionnaire within the last few days of the survey period, and that allowing more weeks for completion would not improve the response rate. The researcher had planned to extend the deadline by a week, predicting that many organisations would only engage with the questionnaire at the last minute. An e-mail was sent out by the researcher on 30 October 2008 advising respondents that they now had until the end of Friday 7 November 2008 to complete the questionnaire. However, a poor response rate of less than twenty percent had been achieved by the extended deadline. The researcher extended the deadline again until the end of November 2008, and phoned all organisations that had not begun nor completed the questionnaire to encourage them to participate. The researcher decided that a fifty percent response rate would be required if the results were to be considered meaningful, and that he would keep the online survey open until this target was reached. Babbie and Mouton (2001:261) state that, as a rule of thumb, a response rate of 50 percent can be considered to be adequate for the purposes of reporting and analysis. Organisations were offered the .doc version of the questionnaire if they were having trouble accessing the internet or if they used dial-up connections. The researcher's response rate target had still not been reached by the end of November 2008, and the deadline was extended again to 12 December 2008. This was communicated to organisations via phone and e-mail. The researcher sent out a further mail two days before the final deadline, advising organisations that they had two days remaining. Several organisations requested a further extension, and the survey was left open until these organisations had completed their questionnaires.

By the time the survey had been closed, 95 (52 percent) out of a total of 182 organisations had returned their questionnaires. Of the eight national bodies that were sent questionnaires, six had completed and

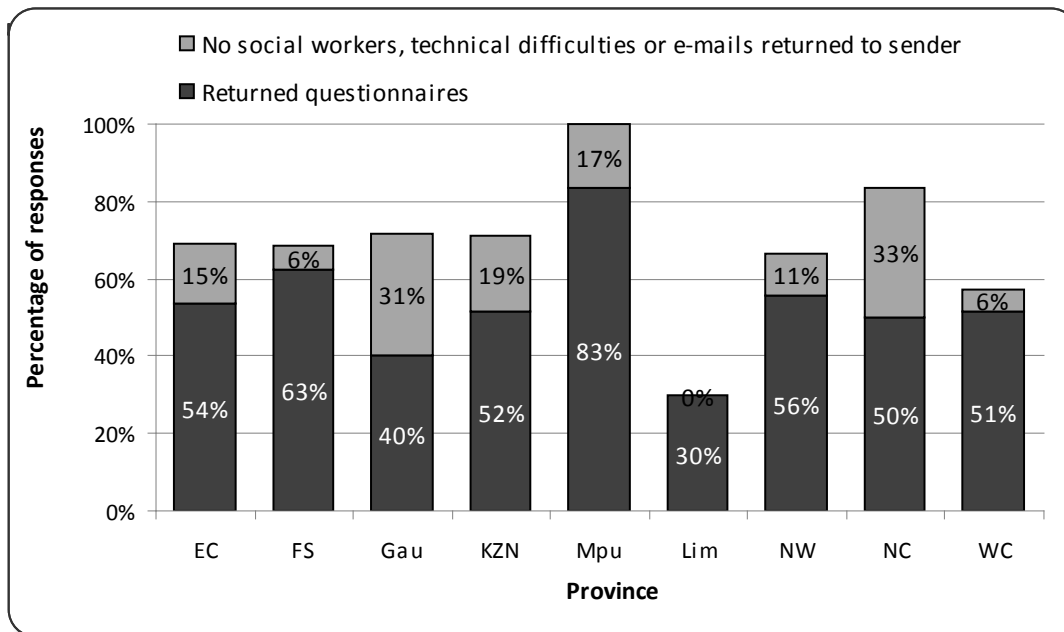
returned them. An additional national body was forwarded the questionnaire by a related national body, which increased the count of national body responses to seven (88 percent). Of the remaining 174 SSOs, including provincial offices of national bodies, 88 organisations (51 percent) returned questionnaires. Eighteen SSOs (10 percent) replied that they did not employ any full-time social workers. Ten SSOs (six percent) could not access the survey due to their own technical reasons, or had e-mail addresses that had become invalid since the preliminary e-mails were sent. The remaining 58 organisations (33 percent) did not participate in the survey. These figures are represented in graph 2-2. If SSOs that experienced unsolvable technical difficulties and SSOs that responded that they did not employ social workers were removed from the population, the resulting response rate would be calculated to be 60 percent - the total SSO sample would have thus numbered 146 organisations. This figure would arguably be a fairer reflection of the response rate for SSOs. The researcher is therefore confident that this study's response rate - calculated by either including or excluding no social worker responses or non-responses due to technical difficulties - was indeed sufficient for meaningful interpretation and analysis of data.

**Graph 2-2: Response rate**



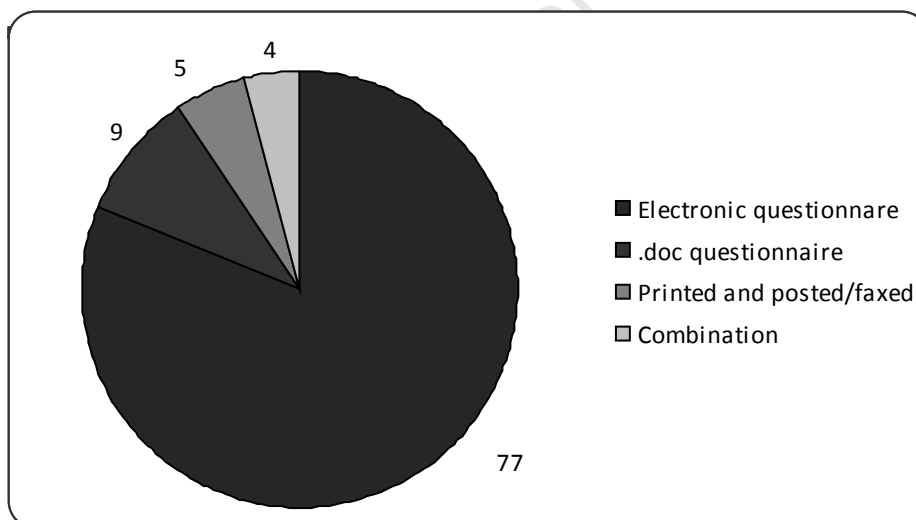
Response rates differed greatly across provinces. Five of the six sampled organisations from Mpumalanga returned questionnaires, which was the highest provincial response rate at 83 percent. Organisations in Gauteng only returned 14 (40 percent) of their 35 questionnaires, while only three of the ten organisations based in Limpopo returned questionnaires. The remaining provinces had response rates ranging between 50 and 63 percent, as shown in graph 2-3.

**Graph 2-3: Provincial response rates**



Of the 95 respondents that returned questionnaires, 77 filled in the electronic questionnaire, nine filled in the .doc version of the questionnaire, four completed the questionnaire through a combination of the electronic and .doc versions, and 5 printed out the questionnaire from the internet, filled it in in pen, and posted or faxed it to the researcher. The distribution of these response formats is shown in graph 2-4.

**Graph 2-4: Format of returned questionnaires**



Respondents were asked to submit their 2007/2008 audited financial statements via post, fax or e-mail. This request was made in the survey invitation e-mail, in the introduction to the questionnaire, in the additional information web page and at the end of the questionnaire. By the time the survey was closed, just over 25 percent of organisations that had returned questionnaires had also submitted their financial statements. The researcher then began a process of phoning organisations with outstanding financial statements to remind them to send the documents. By the end of May 2009 the researcher had obtained five of the seven 2007/2008 audited financial statements from national bodies. The audits of the other two statements had not been completed at that stage. Of the SSOs, 78 (88 percent) of the 88 participating



organisations had submitted financial statements. However, the statements of five of these organisations, all provincial offices of the same national office, could not be used because the breakdown of finances between the offices was not specified in these documents. Of the remaining ten organisations that did not submit audited financial statements for the 2007/2008 financial year, three could not be contacted via telephone to be reminded, five had not yet had their statements audited, and two had refused to submit their statements. That three organisations could not be contacted telephonically over a period of three months is a point of concern, as is the fact that six organisations (including a national body) did not yet have their statements audited eight months past the deadline specified by the Nonprofit Organisations Act (No 71 of 1997). Of most concern is the fact that two organisations refused outright to submit their financial statements, despite being reminded that these documents were supposed to be publicly accessible under the Nonprofit Organisations Act (No. 71 of 1997).

### **2.4.5 Data Analysis**

All electronic questionnaire data was exported automatically into a Microsoft Excel spreadsheet. The formatting and appearance of data in Excel was unsuitable for the purpose of analysis, and the researcher therefore converted text answers to numerical data where possible, and separated multiple choice answers into multiple cells in cases where data had been automatically exported into single cells. This was essential to create a usable database for analysis. Data from .doc questionnaires and from questionnaires that were printed and posted/faxed were captured manually by the researcher. All required data from financial statements – total income and expenditure, funds from government sources, funds from fundraising sources, total assets and current assets – were also captured manually.

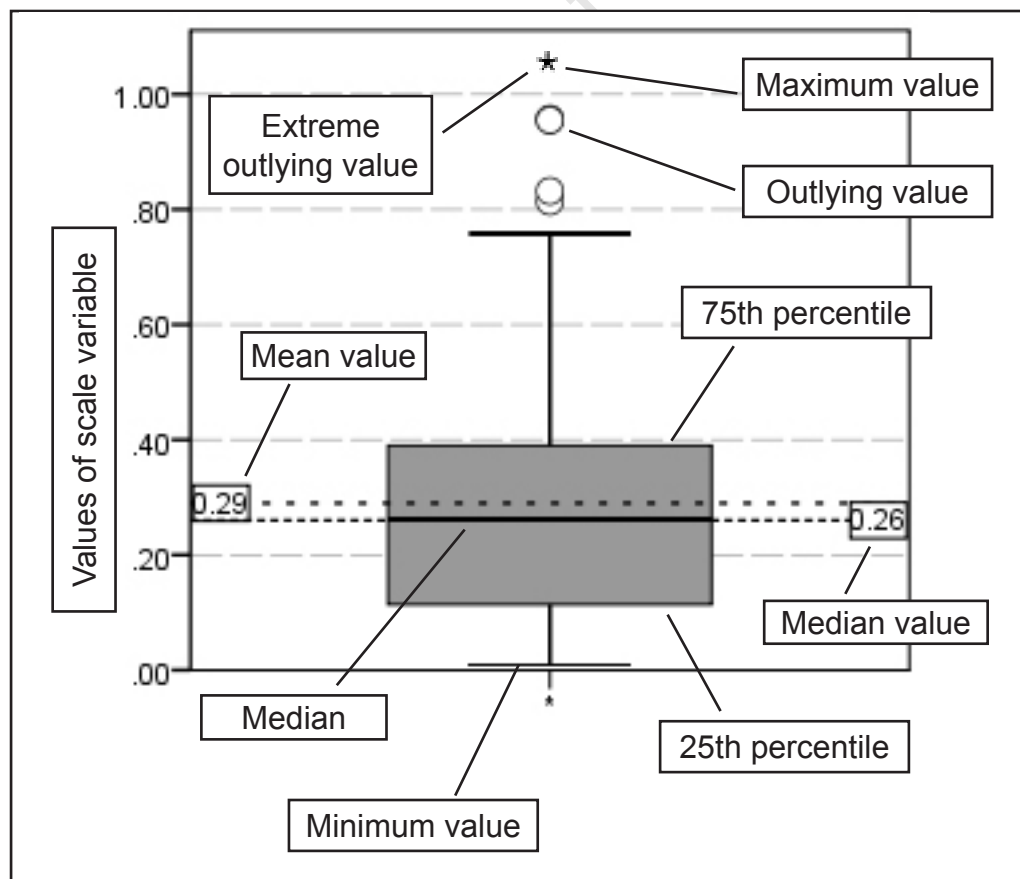
Once all questionnaire and financial statement data had been captured into the spreadsheet database the data was analysed using Microsoft Excel and SPSS Statistics. All graphs and tables were also created using these programmes. Central tendencies (mean, median and mode), minimum and maximum values, percentile ranges and standard distributions were calculated for ratio data. Ordinal and nominal data was used to determine frequencies of responses. Where possible and appropriate, chi-square, Pearson and Spearman correlations were obtained to determine the existence of relationships between variables. Particular attention was paid to the distribution and tendencies of data across provinces, urban/rural locations and fields of service. Ratios that related to fundraising performance were calculated by the researcher.

Particular criteria were set to establish whether respondents' reported financial data was accurate and could be used for further analysis. The researcher had predicted that organisations' reported financial data that related to fundraising revenue and expenditure may not have been accurate in general, as it was suspected that many organisations would not have been engaging with their finances to the required degree of detail. Organisations' fundraising efficiency ratios would not have been able to have been calculated if organisations' reported fundraising-related financial data had not been accurate, and it was therefore essential that mechanisms were put in place to evaluate the accuracy of that data. These mechanisms included comparing figures of reported fundraising revenue to those extracted from financial statements, comparing reported total expenditure to total expenditure values extracted from financial statements, and assessing the relative sizes of organisations to determine whether they would have been

likely to have been evaluating their fundraising effectiveness and efficiency. These mechanisms - and the results of their having been used on respondents' data - shall be discussed further in section 4.3.1.

Aside from the more standard bar and pie charts used by the researcher for the visual presentation of data, the researcher also used box-and-whisker plots to convey particular trends of some variables. A note on box-and-whisker plots must be added for anyone who is unfamiliar with this data presentation device. Box-and-whisker plots provide easily accessible visual data relating to the spread and concentration of data between quartiles. The box represents the concentration of organisations that fall between the 25<sup>th</sup> and 75<sup>th</sup> percentiles, with the thick line in the middle of the box representing the 50<sup>th</sup> percentile, or median. The top and bottom arms that extend vertically from the box indicate the 100<sup>th</sup> and 0<sup>th</sup> percentiles respectively. The arms may not stretch for more than 1.5 times the height of the box, and any outlying values that fall outside of these arms are represented as circles (outliers) and stars (extreme outliers). The further away that quartiles fall from the mean, the more spread out the data, and vice versa. For ease of interpretation, mean and median values have been included in box-and-whisker plots in this report, illustrated by horizontal perforated lines and indicated by numerical values at the ends of these lines. Mean values are represented by lines with larger spacing between dashes, with the values themselves appearing to the left of the central box. Median values are represented by lines with smaller spacing between dashes, with the values themselves appearing to the right of the central box. A labelled sample box-and-whisker plot is provided in graph 2-5. This graphic device shall be used frequently throughout the presentation of findings from the data.

**Graph 2-5: Example of a box-and-whisker plot**





## 2.5 Ethical considerations

It was vital that the researcher adhered to a set of ethical boundaries in order for the study to have maintained its integrity and so that respondents were not exploited to satisfy the researcher's needs. Firstly, the researcher ensured that participation remained voluntary, and that no undue pressure was exerted on the sample for the sake of an improved response rate. Babbie and Mouton (2001) state that respondents may be required to provide personal details about themselves (or in this case about their organisations) that they would not want others to know. Respondents must therefore provide informed consent to participate in social studies, meaning that they have been informed of how their potentially confidential information shall be handled and presented and that they are still willing to participate by way of their own self-determination. Babbie and Mouton (2001) further emphasise that no harm should be done to participants during the course of the research, which could occur through psychologically damaging procedures, facing aspects of themselves that they would not otherwise have considered. This research did not deal with personal psychological or emotional issues, and respondents were representing their organisations and not participating in personal capacities. The researcher was therefore confident that respondents would not be harmed in the manners mentioned above, and no specific precautions were taken to avoid such harm from occurring.

A more likely manner in which respondents (and their organisations) may have been harmed would have been through taking offence at ways in which their characters (or organisations) are presented in research findings, which may have damaged personal or organisational images. Key to this issue is the importance of anonymity and confidentiality. If respondents and their organisations were to have remained anonymous in this report then they would not have been able to have been identified as having responded in any particular ways (Babbie and Mouton, 2001). The researcher therefore assured SSOs that they would not be named in the study, and that organisational information would not be presented in ways that would have allowed readers to have identified organisations through correlating their organisational characteristics. Financial situations and organisational competencies of organisations can be very sensitive issues, and it was therefore imperative to have taken these steps.

Organisations were told that should their ratios of fundraising efficiency have been ranked alongside other organisations' ratios, that anonymous codes would be displayed in the report designating specific organisations. Individual organisations would have been told their own codes so that they would have been able to have identified their own ratios in the context of other anonymous ratios. Despite the fact that the researcher had predicted that some of the data collected might have cast organisations and the social service sector in a bad light, it was certainly not the purpose of the research to 'name and shame' organisations, and precautions were therefore taken to ensure anonymity and confidentiality, and participants were not deceived in any way. The researcher also promised respondents that they would receive feedback from the study. The researcher has committed to ensuring that this occurs, and shall be directing respondents to this report that will be available for downloading from the internet. The researcher intends to maximise exposure of the study by alerting NPO and fundraising networking structures (predominantly online-based) of the existence and availability of the report for download. The researcher also entered into a formal agreement with the University of Cape Town that he would edit a shorter version of the report for publication in an academic journal.

## 2.6 Reflexivity and limitations

Reflexivity refers to the researcher's self-reflection regarding how the researcher's values, experiences, interests, beliefs, political commitments, wider aims in life and social identities contributed to the conception, enactment and interpretation of the research. Reflexivity may also refer to reflection on how the research methodology and tools of data collection could have limited or defined the research (de Vos, 2005). As this study was quantitative, there was less room for researcher bias and misinterpretation to creep in. The researcher was assessing numerical and financial variables, which are less easily misinterpreted than theoretical constructs and qualitative responses. Even so, the researcher was careful to minimise the influences of preconceived ideas on the study and data collected through the study. The researcher had entered into the study with the perception that many organisations were badly managed and did not engage with efficiency and effectiveness evaluation at organisational and fundraising levels. This may have influenced the researcher's perceptions of the data obtained, but the researcher countered this bias by consciously giving organisations the benefit of the doubt that they were engaging adequately with fundraising evaluations, until such time as this was shown through analysis to not have been the case. The researcher was determined to generate a realistic and accurate picture of what was occurring regarding fundraising within organisations, and as such he ensured that he did not simply convey what he *thought* should have been occurring.

The researcher believes that this research was fairly comprehensive and complete, but even so a few limitations have become apparent. Firstly, the study was limited to social service organisations that employed social workers, were affiliated to national bodies and had valid e-mail addresses. While the findings from this study may be relevant for such organisations, the same cannot necessarily be said for other types of nonprofit organisations, which may have differing fundraising requirements and therefore more or less advanced fundraising structures. The research was also limited in that it was unable to capture more emotive, qualitative aspects of fundraising. A significant factor in fundraising success would likely be the personality types of individuals performing fundraising practices. To explore such dimensions would have required a different approach to the research, and the researcher feels that these aspects were beyond the scope of the study. A possible criticism of the study may be that too many variables and too broad a spectrum of fundraising practices were being interrogated, which may not have been measured adequately as a result. While the researcher acknowledges that some variables would have become clearer and more relevant for analysis if a greater depth of information had been gathered on them, he feels that the broader overview was more important for the purposes of this study than were some specific details that were omitted. The researcher needed to strike a balance between creating a data collection instrument that was accessible and short enough to encourage respondents to participate, and that was comprehensive enough to allow a broad spectrum of data to emerge.

## 2.7 Conclusion

This concludes the chapter on research design and methodology. In addition to the important methodological considerations discussed above, it is essential that the study is contextualised against other research that had been done within the field of fundraising and fundraising efficiency. The following chapter thus reviews available literature and past research relating to these topics. It shall become

apparent that very little research had been conducted within the discipline of fundraising, especially within the local context. A fair amount of literature on effective and recommended fundraising practices was found to have existed, and the following literature review therefore draws on the limited prior research available as well as literature that was written by individuals with experience in the field but did not write books and articles based on social scientific data.

## Chapter 3 Literature Review

The following review of literature and research relating to fundraising has been pieced together from relatively few sources, due to the paucity of prior fundraising-related research that has been conducted internationally and locally. There has been a considerable lack of research conducted within the field of fundraising within the South African context, and as result this study will be collecting some data that will have little or no basis for comparison with data collected from other studies. Several international studies influenced the design and methodology of this study, but the majority of literature reviewed in this chapter serves to create a patchwork context in which this study can orient itself.

### 3.1 An introduction to fundraising

#### 3.1.1 The development and regulation of fundraising

Fundraising was first regulated in South Africa in 1947, with the enacting of the Welfare Organisations Act (No. 40 of 1947). Fundraising had become more widespread during the second world war, and the Act was created to establish some controls of the collections that were being made. This Act was followed decades later by the National Welfare Act (No. 100 of 1978), which saw national and regional welfare boards being established. But the most significant legislation affecting fundraising came three years later with the enactment of the Fundraising Act (No 107 of 1978), which was created following the Van Rooyen Commission of Enquiry into the Collection of Voluntary Financial Contributions from the Public (Cuthbert, 1992). One of the main principles of the Fundraising Act (No 107 of 1978) was that all bodies collecting money from the public were accountable to the public, and were thus to be regulated to ensure this accountability. Organisations were required to apply for and be granted fundraising numbers, individuals were required to obtain written permission to raise funds for their respective organisations, and organisations were required to formalise contracts with individual fundraisers that specified how these fundraisers were to be paid (Cuthbert, 1992).

It is at present unclear whether or not the occupation of raising funds for nonprofit organisations constitutes a bona fide profession. Cuthbert (1999a:86-87) cites Wilensky's definition of the stages through which a occupation must pass before it gains public recognition as a profession. Firstly, the occupation must be conducted full-time, which certainly occurs at this time in South Africa. The second stage involves the establishment of formal training for members of the occupational group, with the third stage being the formation of a professional association for members of this group. The forth stage involves the formation of definitive codes of conducts and ethical boundaries within which professionals are compelled to operate.

South Africa has its own fundraising body in the form of the Southern African Institute of Fundraising (SAIF). SAIF was established in 1995, and is currently the only body representing the fundraising profession in Southern Africa. The Institute maintains a code of ethics to which all members must adhere, as well as a donor bill of rights. During the 1990s SAIF formed partnerships with several tertiary education institutions for the purposes of providing accredited fundraising training, but these could not be sustained. In 2000 the Institute registered a Section 21 company called SAIF Education

and Training that now provides accredited fundraising training in South Africa. This division of SAIF works in conjunction with regional training providers to make available its services (Southern African Institute of Fundraising, 2004:1). Based on these conditions it appears that fundraising is developing into a legitimate profession. Cuthbert, founder of the Southern African Institute of Fundraising (SAIF), conceptualises the practice of fundraising as follows (1999a:47):

It is giving people the opportunity to give. Fundraising is not an end in itself but rather the process whereby resources are transferred from those who are able to give to those who have the need to receive... Fundraising is ASKING. While most people are willing to give to obvious and needy causes, only on rare occasions will people give without first being asked. No matter what the communication methods we use to convey the message of need, if this does not include an ASK, effective response will not take place.

### 3.1.2 The state of fundraising in South Africa

In Swilling and Russell's (2002) study that sought to determine the size and scope of the nonprofit sector in South Africa, the researchers found that NPOs perceived a lack of fundraising experience to be one of the most serious problems that they faced. Of the ten most serious problems perceived by NPOs, a lack of fundraising experience was rated ninth and was, significantly, the only capacity-related problem rated in the top ten. The other nine most serious problems were cited as *funding* problems (as opposed to *fundraising* problems), the implication being that organisations felt that the funding environment was not supportive enough. Swilling and Russell (2002: 89) questioned whether the root of NPO funding problems really lies in the funding environment, and suggested that the weakest link in the NPO funding chain is in fact the organisations themselves:

Based on quantitative and qualitative evidence we have collected for this study, it is our view that certain NPOs, particularly the more established, larger NPOs, take too little responsibility for their failure to raise funds... Their failure is not building adequate capacity for identifying, accessing, obtaining, managing and then accounting for funds for development.

Similarly, Smit (2005: 358) states that "[The NPO sector's] inability to better secure itself despite all the strategic planning sessions it and government welfare staff are forever attending cannot be blamed on government". Kraak (2001:137) suggests that a "culture of entitlement" exists within South African NPOs. By this he is referring to the belief held by local organisations that they are morally entitled to Northern funding due to a history of colonialism and apartheid, when in reality these funds must be actively sought out. He feels that in this era of global competition for funds, the collective NPO community needs to strengthen ties with foreign funding sources – just as local business and government have done with their respective foreign counterparts.

Lotvonen's (2005:80) study on social service NPOs in Cape Town sheds some light on the problems that some organisations have when it comes to fundraising. When asked about the problems that they encountered when trying to access funding, 47 percent of the organisations surveyed reported that a lack

of experience in fundraising was a problem. The same percentage of organisations cited not having enough contact with potential funding sources as a problem, and 53 percent cited that one of their impediments to raising funds was that they didn't employ any fundraising personnel. Forty percent of organisations felt that fundraising was made more difficult by the fact that their governing bodies were not involved in fundraising. Other reported problems included competition for funding from other organisations, unpredictable funding criteria of potential funders, restricting organisational structures, and the nature of their services not being attractive to potential funders.

Smit (2005:353) found that SSO boards were often unfamiliar with policies and legislation surrounding financial obligations, the most worrying finding of which was that only 21 percent of respondents in his study revealed that their boards' fiduciary responsibilities were clearly understood by board members. It was also found that only one percent of respondents felt that their organisations' abilities to raise funds were excellent, and only 19 percent thought their fundraising abilities were very good. The majority of respondents' organisations fundraising abilities were reported to have been average, with 61 percent indicating as such (Smit, 2005:354). Vetten and Khan (2002) also found in their research that many organisations did not have the skills and capacity to create business plans that are essential for the process of attracting funds.

### **3.1.3 The global financial crisis**

At the time of writing the global economy was experiencing a deep downturn that began in late 2007, and that has had major implications for fundraising. The financial crisis has its roots in the United States (US) and Europe, but by mid-2009 the effect of the downturn was being felt across the world to varying degrees. The underlying cause of the financial crisis was seen to be the providing of mortgage loans to high risk borrowers with inadequate risk profiling and mitigation, which resulted in a high loan default rate and subsequent repossessions. These led to credit difficulties within major financial institutions, and a global economic crash. South Africa has managed to evade the severity of the crisis that developed countries in the North experienced, but effects were felt nevertheless. A decline in GDP growth, stock losses and fund asset reduction is of major concern for the NPO sector, which derives its funds from sources that are themselves immediately affected by economic trends, including the state. For South African NPOs the effect on local donors may have been less severe, but international sources may have been drastically affected.

An American review of past foundation grant-making activity reveals that foundations' funding priorities are not altered by economic downturns, despite the absolute decline in available funds to disburse during these periods (Lawrence, 2008). This suggests that foundations that have recently been supporting social service organisations will continue to do so, albeit with fewer funds. Historical data analysed by the Giving Institute (2009) reveals that corporate giving is immediately affected during downturns, and that foundations experience a longer lag, and can have their funding output slowed down for up to three years after the worst of a downturn. Other historical data reveals that NPOs that reduce fundraising efforts during downturns take longer than those who continue their fundraising activities to recover once the economy picks up (Association of Fundraising Professionals – Aloha Chapter, 2008). A survey of NPO leaders showed that the majority of respondents felt that active seeking of funds – rather than



reducing fundraising costs – was the only option if they were to survive the current economic crisis (Resource-Alliance, 2008). In contrast to the above findings, the Foundation Centre (2008:2) cited figures that showed giving by US foundations to have increased by over 300 percent since 1998, with this figure predicted to continue to increase. Their findings suggest that the economic crisis will have less of an impact on NPOs than other data predicts.

The data that has been collected in this study predates the impact of the financial crisis on South African welfare NPOs and is therefore a fairer reflection of organisations' abilities to fundraise without the viable of economic downturn affecting the results. The results presented in this report may therefore reflect a rosier picture of local fundraising than may currently be the case.

## **3.2 The social service nonprofit sector**

### **3.2.1 Overview of the welfare sector and the social work profession**

Formal social welfare in South Africa began as state response to the “poor white” problem, and the first Department of Social Welfare was established in 1937 (Cuthbert, 1992). Throughout the following decades social services were racially decentralised and there was widespread duplication of services as a result. Right up until the advent of democracy, South African social services were implemented to reinforce the racial oppression of the apartheid state. During this period social services were residual in nature, meaning that they would be implemented in response to arising social problems. A new centralised Department of Welfare was created after 1994, and the White Paper for Social Development was published in 1997. This document outlined the new priorities and changes within the social service sector. A developmental approach to social service delivery was introduced, meaning that preventative and empowering techniques were to replace the old residual approach (Earle, 2008).

Social workers are arguably the most important actors in the provision of social services, particularly when it comes to statutory work. Despite having to complete a minimum of four years of tertiary training to qualify as a social worker, the profession is considered to be grossly underpaid and working conditions are generally rather poor. These factors have contributed to a critical shortage of social workers, especially in the nonprofit sector where salaries and benefits are not competitive with those offered by government (Earle, 2008). The Social Service Professions Act (No 110 of 1978) states that all social workers and social auxiliary workers working for NPOs in their professional capacities must be registered with the South African Council for Social Service Professions (SACSSP).

Social work emerged as a profession during the eighteenth and nineteenth centuries when the European and North American working classes were experiencing increasing social problems as a result of the industrial revolution. Social work was limited to the provision of residual services that arose from philanthropic initiatives rather than state intervention. During the twentieth century social work underwent a process of professionalisation as the discipline's theoretical base and methodologies were formalised. In South Africa the discipline of social work only began to emerge during this period.

During the 1900s social work moved from a predominantly religious endeavour to a secular activity, and the state began to regulate, legislate and implement the profession. This has placed social workers in a difficult and contradictory position; they are required to assist groups and individuals to overcome social problems that are often caused and perpetuated by state policies, while simultaneously acting within state-controlled boundaries of behaviour. This was particularly true for South African social workers during the apartheid era, when social services were racialised and social workers were required to further the state's racial ideals. The nonprofit sector offers some degree of freedom from this dilemma, as it operates independently of the state, but this sector is still regulated by the state and often depends on the state for funding (Earle, 2008). This is perhaps an incentive for NPOs to operate without having to rely on government grants.

A contentious issue amongst social service providers is that new mandatory statutory requirements outlined in the Child Care Act (No 74 of 1983, as amended), and more recently the Children's Act (No 38 of 2005) have increased social workers' workloads substantially. Another major factor influencing social workers' large workloads is the short supply of social workers in South Africa. Within the public sector the vacancy rate for social workers is 37.9% across the country (Earle, 2008:50). It is suggested that vacancy rates in the NPO sector are higher due to salary discrepancies between the public and NPO sector. Government spending has decreased substantially over the past decade, and state grants to NPOs alone do not allow for adequate social worker salaries. As a result there is a very high turnover amongst social workers within the NPO sector, as many move on to government posts for financial reasons. The low wages in general are largely responsible for low morale within the profession, as are the often poor working conditions that result from unmanageable workloads and limited access to resources (Earle, 2008). Earle (2008:50-53) predicts that 3970 new social workers would be required by the social service sector by 2015 to account for population growth, retirement, death, immigration, career changes and voluntary exit from the profession, simply to maintain current levels of service (which are not meeting required standards to begin with). An obvious solution to combating disillusionment amongst social workers within the social service nonprofit sector would be to secure more finance to employ more social workers at higher salaries. Effective and efficient fundraising is therefore vital if these outcomes are to be achieved.

### **3.2.2 Nonprofit social service organisations in South Africa**

#### **3.2.2.1 Clients and services**

The practice of social work is conceptualised within the profession according to three 'methods': social work with individuals and families (casework), social work with groups, and social work with communities. Within each of these methods are differing theoretical views and many diverse sub-disciplines and specialisations, but there are strong characteristics that distinguish these methods from each other. Social work with individuals, families and groups are generally concerned with individual change, while social work with communities is generally concerned with socio-environmental change. These distinctions are not clear-cut, however, as all three social work methods must address both individual and environmental change in order to be truly effective (McKendrick, 1990).



It is worth noting that casework and group work are performed almost exclusively by registered social workers who are regulated by professional codes of conduct, while community work can often be performed by individuals with different training backgrounds who are not necessarily required to adhere to any particular ethical standards. While the practice of community work is a recognised method of social work, the practice also exists in a wider developmental context that stretches outside the domain of social work practice. Social service organisations that provide community work services may not necessarily employ social workers for community work positions, but may employ individuals with other qualifications or experience that may require lower salaries.

### **3.2.2.2 Capacity issues**

A report by the Inter-Ministerial Committee for Poverty and Inequality (1998) suggested that NPOs may not be able to undertake large-scale or complex projects at a regional or national level. The report also suggested that administrative capacities amongst NPOs may be generally weak, and that they tend to operate mainly in urban centres, thus neglecting rural communities. The report also advised that due to the magnitude of social inequalities that need to be overcome, NPO structures cannot expect to tackle them by themselves and must do so in partnership with government, which is said to stand to gain by drawing NPOs into the development process.

Despite these shortcomings, the report suggested that in many cases NPOs are better equipped to deal with social problems than government. The report states that NPOs are usually better informed about community conditions at local level, having built trusting relationships with communities that government structures do not enjoy. At the same time, they are more able to respond swiftly to community problems and to adapt to community needs. Corruption is also said to be less prevalent amongst NPOs than it is within government due to smaller bureaucratic structures. Despite the apparent capacity problems that NPOs face, it is important to note that the public often holds NPOs' service delivery in higher regard than they do government's (Earl, 2008).

### **3.2.3 Legislation and policies affecting NPOs and fundraising in South Africa**

Fundraising is not only affected by dynamics between donors and recipient organisations. Legislation and policy provide structural frameworks for regulating the fundraising and financial environments in which nonprofit organisations operate.

Within the policy framework of the White Paper for Social Welfare (Department of Welfare, 1997) the Department of Welfare formulated the Financing Policy for Developmental Social Welfare Services in 1999, that dealt exclusively with the financing of NPOs by the State. This policy stressed that organisations would be required to adopt and implement developmental, preventative programmes if they were to be funded by the state. Government grants would be based on the costs of these programmes rather than on the number of social workers in an organisation, as had previously been the case. This policy was abandoned shortly after its creation, having never been properly implemented.

In 2004 the Department of Social Development (previously the Department of Welfare) had drafted and approved a new NPO funding policy, the Policy on Financial Awards to Service Providers (Lotvonen, 2005; Smit, 2005), but in this document the Department of Social Development had still not managed to formulate definitive measures for funding the nonprofit sector seven years down the line, despite the many policies that had been created during this period. The Policy on Financial Awards (Department of Social Development, 2004). emphasised that organisations must meet developmental transformation criteria in order to qualify for grants and subsidies. In 2005 it was observed that welfare organisations were still being funded according to the numbers of social workers they employed (Lotvonen, 2005; Smit, 2005) and not according to their abilities to meet the criteria outlined in said policy.

The Nonprofit Organisations Act (No. 71 of 1997), as amended, was drawn up to create an environment for NPOs that was more self-regulatory than that set out in the old Fundraising Act (No 107 of 1978), which was discussed in section 3.1.2. As a result, one of the functions of The Nonprofit Organisations Act (No. 71 of 1997) was to repeal most portions of the Fundraising Act (No 107 of 1978). One of the most important features of the Nonprofit Organisations Act (No. 71 of 1997) is that it is not compulsory for NPOs to register with the Directorate in order to raise funds for an organisation. Most larger donors require organisations to be registered as NPOs for accountability purposes, and registered organisations must comply with financial and operational reporting requirements set out by the Directorate. On a related note, the Public Finance Management Act (No 1 of 1999) states that organisations must provide written assurance of effective, efficient and transparent financial systems and controls, before any state funding can be transacted.

Section 21 of the Companies Act (No 61 of 1973), as amended, is an important piece of legislation for the NPO sector. NPOs that perform significant transfers of funds through their fundraising and operational activities are recommended by the NPO Directorate to register as companies in terms of Section 21 of the Companies Act (No 61 of 1973) (Department of Welfare, 1999). A Section 21 company is formed under the same premise of nonprofit operation as an NPO would be formed, but subject to the more demanding regulations and costly reporting requirements that would otherwise apply to for-profit enterprises in the private sector.

The Income Tax Act (No 58 of 1962), as amended, states that NPOs in South Africa are not automatically exempt from paying income tax. However, organisations that qualify as Public Benefit Organisations (PBOs) may be granted PBO status following a formal written request. PBOs are exempt from paying certain taxes. Further benefits are available if an NPO obtains registration in terms of Section 18A of the Income Tax Act (No 58 of 1962), commonly referred to as 18A registration. Donors that donate to 18A registered PBOs may deduct the values of donations from their taxable income, provided that these donations do not exceed 10 percent of taxable income. This provides incentive for potential donors to fund organisations,

### 3.3 Sources of Funding

#### 3.3.1 The extent and availability of funding for South African nonprofits

South Africa's transition to a democratic state in 1994 saw many changes within the nonprofit sector, not least of which was the perceived stability of overseas income to NPOs. The Reconstruction and Development Programme (RDP), South Africa's first broad-scale poverty alleviation and social development strategy, was viewed by the NPO sector as a threat to its funding base. It was thought that foreign income would go directly into the new government initiative, while NPOs that had previously enjoyed foreign support would face financial difficulties as a result. There is indeed evidence that some NPOs faced a sudden donor withdrawal during this period (Olive Information Series, 1995), but the overall trend of foreign funding to South African NPOs does not show any evidence of a mass-redirecting of finance. In his article on the state of the local NPO sector in 2001, Kraak (2001) cites evidence that foreign funding to NPOs had not only remained stable, but had actually increased in real terms between 1998 and 2001. However, Swilling and Russell (2002) have shown that foreign funding, although significant, is far from being the primary source of funding for NPOs. This is particularly true for social service NPOs. The source of the largest percentage of funding for NPOs is government.

Of the estimated R14 billion total revenue that South African NPOs received in 1998, R5.8 billion (42 percent) came from government grants. This proportion was much higher within the social service NPO sub-sector, where R2.1 billion (56.5 percent) out of a total revenue of R3.7 billion came from public expenditure (Swilling and Russell, 2002:34-40). Of particular significance to the research being presented in this report was the proportion of funding that was derived from the private sector. Only 11.1 percent (R415 million) of total revenue was obtained from private funding by social service NPOs, compared to the general NPO average of 25 percent. The researchers classified foreign funding as private funding, and this figure therefore represented the combined amount received from the domestic and foreign private sector. This represents under 12 percent of the almost R3.5 billion the private sector gave to NPOs in 1998. This is highly significant in light of the figures that showed the social service NPO sub-sector to be the largest of all NPO sub-sectors in terms of employees, number of organisations and total revenue. The social service NPO sub-sector obtained the remaining 32.4 percent of its revenue from self-generated income, only marginally below the general NPO average (Swilling and Russell, 2002: 34-40). Kraak (2001: 134) cites evidence that funding to NPOs from the local corporate sector increased by 30 percent between 1997 and 2000. Social service NPOs thus have the potential to take advantage of this increased philanthropic spending provided they know how to access it.

The above figures should be viewed with caution. The study from which the figures were generated is already a decade old, and the values presented in the study's report were only estimates based on a relatively small geographically stratified sample. A more recent, but smaller study revealed that government grants have in fact declined in real terms as a percentage of organisational income since 1999, especially in rural areas. It is thus apparent that the necessary growth of the NPO social service sector has not been fully supported by a proportional increase in government grants (Smit, 2005).

If social service organisations are to become truly financially stable they must be able to find innovative ways of securing funding from a wide variety of sources. By not being dependent on one or two sources of funding, an organisation can effectively become sustainable and autonomous in its decision-making. Bennett and Gibbs (1996) suggest that the nonprofit ethos discourages enterprise skills within the organisation, yet it is precisely these skills that NPO clients and their communities depend on for survival. NPOs need to learn the survival skills used within the communities they serve if they are to ensure their own financial survival.

It must be mentioned that the relationship between NPOs, donors and client communities is not necessarily an equal one. Kleinenberg (1994:22) states, "...however much discussion and consultation takes place between donors, NGOs and client communities... it is likely that the donor will continue to have the most power and the client community the least." She argues that, while donors have every right to set their own parameters for funding and to fund whatever organisations best meet their criteria, they are still accountable to the NPOs with whom they have formed partnerships. She feels that donors who commit to funding an organisation for a period of time are absolutely obliged to provide the promised finance, in the same way that NPOs are obliged to provide effective services to their client communities.

### **3.3.2 Fundraising as a result of fundraising activities**

#### **3.3.2.1 Companies**

There is a growing body of theory and research within the emerging field of *corporate social responsibility* (CSR). This term refers to the roles and responsibilities of the corporation in society, and it is within the context of CSR that NPOs seek funding from companies. A component of CSR is *corporate social investment* (CSI), . A definition of CSI is offered as:

...the way in which companies care for the wellbeing of the social and ecological environment of the communities in which they operate. To this end they invest, in a variety of ways, in the advancement of certain socially and/or environmentally defined needs, projects or causes extraneous to their regular business activities (Njena and Smit, 2007).

Obtaining funding from companies can be difficult for many NPOs because it requires organisations to adopt a more business-like mindset if the needs of corporations are to be met during the transaction. Companies become increasingly frustrated with the lack of professionalism and management skills within the NPO sector, and this can contribute towards scepticism of the ability of NPOs to deliver effective and efficient social services (Njena and Smit, 2007). If NPOs can find innovative ways in which to pitch their proposals and report their results in ways that will satisfy the corporate mindset, then they stand a better chance of tapping into CSI funds. It is also essential that NPOs are registered in terms of section 18(a) of the Income Tax Act (No 58 of 1962), as this will provide a financial incentive to corporations to part with their funds.

In her study on healthcare NPOs in the Western Cape, Adams (2006:60-62) found that 70 percent of surveyed organisations received funding from the corporate sector. In a similar study on Cape Town social service organisations, Lotvonen (2005:77) found that 85 percent of organisations surveyed received donations from corporations. It was not clear in either study what portion of funding these organisations obtained from the private sector. Smit (2005:355) found that 56 percent of respondent organisations in his study found corporations the most difficult source from which to raise funds.

### **3.3.2.2 Trusts and foundations**

Holloway (2001:46) defines foundations as “...structures that are set up so that funds can be accumulated and made available in perpetuity to specific kinds of recipients as grants and/or loans for specific purposes.” The original funds are invested so that the interest earned on the assets can be distributed without the original funds being used up. These trusts and foundations may be set up by individuals, corporations or governments, but are then governed by independent boards that operate according to the statutes under which the trusts or foundations were established. The founders of trusts and foundations are entitled to specify in their founding document exactly how their funds are to be spent and distributed. It is therefore important that NPOs spend some time researching the funding criteria of respective trusts and foundations in order to determine whether or not they are eligible to receive the funds. In her study on healthcare NPOs in the Western Cape, Adams (2006:60-62) found that 80 percent of surveyed organisations received funding from trusts and foundations. Again, the actual amounts of funding received from these sources was unclear.

### **3.3.2.3 Individuals, families and groups**

A commonly-used breakdown of individual donations is the donor pyramid. This concept suggests that 80 percent of the total sum of individual donations come from 20 percent of individual donors. These 20 percent of donors are the individuals who give bequests, major donations and regular donations. The remaining 80 percent of individual donors are classified as first-time donors, prospects and suspects (potential prospects). The latter two kinds of donors are usually the ones who have been identified through donor research on individuals. Although the effort required to stimulate the bottom end of the pyramid to give is large, it is important to note that the average NPO loses 14 percent of its regular donor base annually (Cuthbert, 1992:54). It is therefore vital for organisations to replenish their donor bases if they are actively pursuing individual donations as regular sources of funding. Ritchie and Kinahan (1995) note that bequests are made by individuals, and these individuals have usually been making contributions to specific NPOs during their lifetimes. Individual donors are therefore vital for immediate and future funding needs of NPOs. If individuals can be successfully encouraged to make regular contributions it creates a broader donor base for an organisation, which is financially more sustainable than a smaller donor base. The donations that individuals give are also in most cases unconditional, allowing organisations greater freedom in spending their funds (Holloway, 2001).

Everatt and Solanki (2005:9) found that 31 percent of South Africans surveyed from a variety of backgrounds had given money to a “charity or other cause” during the month prior to having been



surveyed. From the responses in the survey, the results of the South African census 2001 data and the assumption that these figures would be consistent from month to month, the researchers calculated that South African individuals give R72.5 million to organisations every month (Everatt and Solanki, 2005:13-14). Causes relating directly to social services received the bulk of this amount that did not go directly to religious organisations.

#### **3.3.2.4 Grass-roots organisations**

Funds derived from grass-roots organisations differ from the sources mentioned above because they are generated by the recipients of NPO services rather than external individuals, groups, foundations and corporations. Grass-roots organisations are formed for self-help and self-improvement purposes by poor and marginalised communities, and are often wholly or partially supported by parent NPOs. By training members of grass-roots organisations to raise their own funds, NPOs would effectively be reducing the amount of fundraising that they would otherwise have to do to subsidise these organisations. In the process they would be empowering the respective grass-roots organisations, which is central to the philosophy of how grass-roots organisations operate (Holloway, 2001). Another context of mobilising income-generation within grass-roots organisations is where the funds raised by grass-roots organisations are used by NPOs for social development services exclusively within the communities that raised the funding. In this context the grass-roots organisations may take the form of community development foundations (CDFs). CDF funding has the advantage of being unconditional (Holloway, 2001).

#### **3.3.2.5 Clients**

There are many considerations to be taken into account when deciding whether or not to charge fees from clients. These will be discussed more in section 3.4.2.6 of this paper. Adams (2006:61) found that only 25 percent of healthcare organisations surveyed in her research charged fees from patients. This may be due to a response within the healthcare NPO sector to ensure that health services are delivered to the marginalised and destitute, feeling that charging fees would render their services inaccessible to their target service users. Almost all of the organisations in Adams' study that charged fees from patients did so according to a sliding scale, while only one organisation charges flat rates. Fifty-five percent of organisations surveyed in Lotvonen's (2005:77) study charged their clients fees, all using a sliding scale system.

#### **3.3.2.6 International funding**

Although not the largest source of funding for South African NPOs, international funding can never the less be very important to some organisations. Bilateral and multilateral funding, also referred to as *official* aid or assistance, may be directed to either governments or NPOs. Official international development assistance reached a peak of R3.8 billion in 1997. This formed only two percent of South Africa's national budget and 0.55 percent of the country's gross domestic product. In her study on healthcare NPOs in the Western Cape, Adams (2006:60-62) found that 55 percent of surveyed organisations received funding from international donors.

The most substantial foreign donors to South Africa are the European Union and United States Government. Funding from private foundations, particularly those based in the United States, has also been a large source of income for NPOs. Social service organisations may not receive much official and private foreign funding, as foreign donors tend to favour NPOs that are large, well-established and urban-based, and that focus on advocacy, democracy and civil rights (Lake, 2006).

### **3.3.3 Funding from additional sources**

#### **3.3.3.1 Government**

In addition to the Department of Social Development's funding channels that are based on the allocation policies discussed in section 3.2.3, there are additional state funding channels that NPOs may access provided they meet the necessary criteria. However, Vetten and Khan (2002) found that a common reason for NPOs not being able access government funding was that the NPOs were not proactive enough in finding out how to go about securing these funds. At the same time, they found that government departments were not advertising the availability of their funds well enough to NPOs. Government funding sources were also found to be at fault by providing unclear information about their application processes and not responding to some requests for funding.

Holloway (2001:73-74) cites various constraints that can affect the working relationship between government and NPOs. These include a lack of understanding of each other's goals, the inability of government to identify the most effective NPOs to form partnerships with, restrictive government procedures, distrust from both sides, lack of clear government policy on NPOs, poor communication, discrepancies between top-down working methods of government and the more participatory approaches of NPOs, and the lack of NPO accountability to their constituency and the public at large.

Adams (2006:60-62) found that 85 percent of surveyed organisations received funding from government sources, and of these organisations, over 82 percent cited provincial government as their main public source of funding. Of the remaining 15 percent of organisations that did not receive government funding, their reasons for this included not complying with government funding criteria and being fully supported by international parent bodies. The study also revealed that over 22 percent of the healthcare NPOs surveyed study received more than 40 percent of their income from government sources (Adams, 2006:76). Figures from Lotvonen's (2005:72) study on Cape Town social service organisations revealed that all organisations that were surveyed received subsidies from the Western Cape provincial government for providing social services, with 60 percent of the organisations also receiving subsidies for special projects. Government grants comprised over 30 percent of organisations' total income in 45 percent of the organisations surveyed, and 35 percent of organisations reported that the government was their largest income source.



### **3.3.3.2 Parent bodies**

In some cases SSOs may receive funding from their parent bodies to which they are affiliated. An American study revealed that between six and ten percent of NPOs receive some funding from their parent bodies. Organisations that employed fundraisers were found to be more likely to receive funds from parent bodies than their counterparts that did not employ any fundraisers (Hager, 2004:3).

### **3.3.3.3 Funding intermediaries**

Funding intermediaries are large state-linked or NPO bodies that exist to provide service provider NPOs with funding. Despite the promises made prior to their conception, a study by Smit (2005) revealed that the relatively new national funding distribution entities – the National Lotteries Distribution Trust Fund (NLDTF) and the National Development Agency (NDA) – were viewed unfavourably by the respondents. The NDA is a state-run funding intermediary which must distribute funds to beneficiary organisations that meet the Agency's developmental funding criteria. During the 2007/2008 financial year the NDA provided a total of R133.8 million for development projects run by CBOs. Smit (2005:357) found that almost 60 percent of respondent organisations felt that the NDA's funding criteria were unclear, while over 40 percent of organisations were unhappy with the NDA's governance. This is very worrying considering the NDA's mandate to ensure effective and appropriate funds distribution. Only 10 percent of the organisations surveyed in Adams' (2006:60) study reported that they received funding from the NDA. In Lotvonen's (2005:77) study the percentage of organisations receiving funding from the NDA was higher, with 35 percent of organisations receiving money from the agency. It appears that the NDA is an under-used resource, and it may be possible that organisations have not yet recognised the funding potential from this structure.

The NLDTF falls under the authority of the legislated National Lotteries Board (NLB). A countrywide lottery known as the Lotto was launched in 2000. The Lotto, along with several other games of chance, generates funds which are disbursed through the NLDTF to NPOs that provide welfare, development, sporting, arts, cultural and national heritage services (Louw, 2002). The legislation surrounding the formation of the NLB effected the termination of many other smaller scratch card operations that had previously existed unregulated, which had provided social service and development organisations with regular funding. This has been major criticism of the National Lottery system. Since the National Lottery's conception there has also been much dissatisfaction amongst beneficiaries regarding the mechanisms whereby funds are allocated, the efficiency of the agencies responsible for funds distribution, the apparently vague application criteria and inconsistent funds allocations, and a non-transparent Lotteries Board that has not been seen to be accountable to its beneficiaries. There have also been significant delays and breaks in Lotto operation, hence reducing the funding available to NPOs (National Lotteries Board, 2007; Louw, 2002; Latchman and Wyngaard, date unknown). Smit's (2005:356) research revealed that 133 (84.7 percent) of 157 surveyed organisations that received funding from the Lotto were unhappy with the manner in which Lotto funds were distributed.

During the 2007/2008 financial year a total of R2 094.4 million was available for distribution to organisations by the NLDTF, but only R972.9 million (46 percent) of this amount was actually distributed.

The proportion of funds distributed during the the previous year, during which time the distribution agencies had been inactive for four months, are no more encouraging. Of the R2 137 million that was available for distribution, only R814.9 million was actually paid out in grants. This figure was only 38 percent of the total amount available for distribution.

In 1995 an NPO called the Southern African Grantmakers' Association (SAGA) was formed to “facilitate greater cooperation in supporting national development priorities, to be a voice for the independent funding sector, and to be a forum for communication and exchange between development grantmakers of all kinds” (Milner and Hartnell, 2006:pages unnumbered). Despite the networking opportunities that member organisations enjoyed through being part of SAGA, there were constant tensions between corporate and non-corporate members, which contributed to be SAGA's dissolution. In addition, there was little financial support for SAGA from local member organisations, despite their insistence that SAGA was of benefit to them. The organisation was not able to sustain itself and was forced to close (Milner and Hartnell, 2006).

#### **3.3.3.4 In-kind donations**

Very often individuals and companies may donate goods and services to NPOs rather than money. These goods and services can range from second-hand clothing to buildings and vehicles. Everatt and Solanki (2005:9) found that 31 percent of South Africans surveyed from a variety of backgrounds had given goods, food or clothes to an organisation during the month previous to being surveyed. The most popular donated items were food/drink and clothes, with 78 percent and 68 percent of respondents respectively having donated these items (Everatt and Solanki, 2005:20).

### **3.4 Fundraising Practices**

#### **3.4.1 Marketing and public relations**

Marketing for NPOs involves making an NPO visible and attractive to donors (Panday, date unknown). NPO marketing is similar to for-profit marketing, in that both practices aim to sell the organisation and its services to the public so that individuals and groups might be more willing to provide the organisation with income. Marketing and public relations are synonymous with each other, as both involve creating positive public perceptions of organisations. Ritchie and Kinahan (1995:19) quote John Price Jones as saying, “Fundraising is public relations, for without sound public relations no philanthropy can live long. It takes better public relations to get a man to give a dollar than it does convince him to spend a dollar.” The forms, structures and extents of public relations activities within NPOs is beyond the scope of this research, and the findings will have to be viewed with this in mind.

#### **3.4.2 Fundraising Methods**

##### **3.4.2.1 Mass appeal**

Mass appeal is targeted primarily at individuals. It is based on the premise that spending money on promoting an organisation through the mass media will result in enough responses to offset the costs of the campaign and provide surplus income. Appeals for funding can be made using newspapers, television, radio, billboards or any other media that are conventionally used for advertising. These methods of mass appeal usually come at a large cost to NPOs, but organisations with good public relations practices may achieve the same effect through getting journalists and TV programmes to feature them in normal articles and broadcasts (Holloway, 2001). Cuthbert (1992) suggests that response rates for campaigns run through the mass media are generally disappointingly low.

Recently the internet and cell phones have also become tools for promoting NPOs and soliciting donations. Organisations that have their own websites are able to publish up-to-date information about their activities, services, communities, fields of service and contact details. E-mail newsletters can save costs that would otherwise have been spent on paper and envelopes. Websites can also host forums to build networks of interested individuals and groups. Online donation systems can be set up so that individuals are able to pay via credit cards, direct debit or e-currencies while browsing through NPO websites or donation portals. This form of giving currently appears to be small in South Africa, with only one percent of respondents in Everatt and Solanki's (2005:27) study having ever donated via a website. Another local study revealed that online donations were still in their infancy in South Africa, with organisations reporting very small percentages of their total funding that came from online donations (Farouk and Prytz, 2003). It must be noted that these studies were conducted five or more years ago. Since then the use of the internet for various applications has increased dramatically, and the low levels of online fundraising recorded then may not hold true now. Websites also offer NPOs income opportunities through selling advertising space on their sites (Holloway, 2001).

#### **3.4.2.2 Direct appeal**

Direct appeal differs from mass appeal in that donors or potential donors are specifically targeted rather than left to chance. Communication is made with target individuals or groups in the form of letters, phone calls, e-mails, text messages or face-to-face contact. For direct appeal to be effective and efficient it is important that NPOs maintain databases of donors and that they target their potential donors appropriately. The building up of donor databases can take time, but they allow for a regular supply of funding that takes less effort to maintain later on. Software has become available for the managing and implementing of these databases (Holloway, 2001). Ritchie and Kinahan (1995) argued 15 years ago that the most widespread use of direct appeal lay in direct mailing. However, the rise of e-mail and mass mailing lists has likely changed the face of direct mailing dramatically. Figures from Lotvonen's (2005:82) research showed that 63 percent of organisations that were surveyed used direct mail campaigns to raise funds, and 16 percent used street collections.

#### **3.4.2.3 Formal appeal**

Formal appeal involves the creation of individualised funding proposals. These are created primarily for corporations, trusts and foundations, government bodies and funding intermediaries. Formal

appeals may vary in length depending on the criteria of the donor in question, but they generally contain a covering letter, background information on the organisation, a statement of need, a description of projects if the funds are project-specific, a description of evaluation procedures, and a budget relating to the funds required (Ritchie and Kinahan, 1995). All of the organisations surveyed in Lotvonen's (2005:82) study wrote and sent fundraising proposals to potential donors. Organisations in this study showed mixed success with fundraising, which suggests that writing fundraising proposals needs to be a well-researched and planned activity for it to be successful.

#### **3.4.2.4 Bequest programmes**

As has been mentioned already in this literature review, bequests can form a large proportion of NPOs' donations. NPOs do not have to leave bequests completely to chance, and they can take steps to facilitate the leaving of bequests during donors' lifetimes. Individuals who leave bequests have usually been donating to their respective organisations for a number of years before dying. Bequest programmes therefore involve the counselling of elderly donors on the possibilities of leaving legacies behind for NPOs (Ritchie and Kinahan, 1995). Research indicates that between 10 and 20 percent of an organisation's individual donors are over 60 years old (Cuthbert, 1992:97). Ritchie and Kinahan (1995) advise that women between the ages of 38 and 55 are best for the task of bequest counselling. Often bequest programmes can include the facilitation of the revising of a will that includes the respective NPO as a beneficiary of funds. Lotvonen (2005:82) found that 42 percent of organisations that were surveyed conducted bequest programmes. Significantly, the percentage of organisations that conducted bequest programmes was much higher amongst organisations that did not have problems with their fundraising than amongst organisations that reported fundraising difficulties (with 75 percent and 26 percent of their respective groups conducting bequest programmes). This suggests that bequest programmes are effective fundraising activities if conducted properly.

#### **3.4.2.5 Memberships**

Membership fees are regular contributions paid by people who wish to be closely associated with an organisation and to have a say in how its governing body operates and is structured. In her study on healthcare NPOs in the Western Cape, Adams (2006:60-62) found that 30 percent of surveyed organisations earned some of their income through charging membership fees.

#### **3.4.2.6 Earned income**

It is well within the ambit of South Africa's legislative framework for an NPO to operate a profitable business enterprise. The Nonprofit Organisations Act (No. 71 of 1997) specifies that an organisation registered in terms of the Act may not distribute profits to members of the organisation except for reasonable compensation for services rendered. Therefore, as long as "profits" are used to further the aims and objectives of the NPO – and not to increase individuals' bank accounts – there is no legal impediment to raising funds within the context of the market economy. If NPOs are to genuinely move towards financial sustainability they must be able to raise a portion of their funds through the market

economy. Funds raised in this manner are likely to be completely free of any conditions that donors might otherwise set, thus allowing organisations greater freedom and autonomy in their operations. However, this form of income generation may be the most resisted within organisations due to the need to operate in a business-like manner. Many NPO employees work within the nonprofit sector because they dislike the mechanisms of the market economy and hence do not want to operate within this context (Holloway, 2001).

Holloway (2001) suggests several ways that income can be earned by an NPO. Firstly, income can be derived from a community project in which project participants also earn income for themselves. The second method of earning income is suggested in the form of cost recovery programmes, which equate to charging fees from clients. Organisations should adopt a sliding scale of service costs to ensure that nobody is denied access to services due to lack of finance. The author suggests that social services may be more valued by clients if they are not free. When an organisation's services increase the productivity and income of clients and participants it is fair to expect that these services might be paid for by service users. The third way for organisations to earn their own income is through enterprises that are linked to their mission and objectives. This could take the form of marketing the same or similar services to a wealthier group of clients, or products and services could be developed out of organisations' experience in their respective fields. A final way that organisations can earn income is through operating enterprises that are not related to their core activities.

A widely-used method of earning income through core mission-related services is through providing training and consultation. In her study on healthcare NPOs in the Western Cape, Adams (2006:60-62) found that 40 percent of surveyed organisations earned some of their income through providing training and consultation services. Lotvonen (2005:77) found that 75 percent of organisations received income through providing these services in her study on social service organisations in Cape Town. Figures from Lotvonen's (2005:77) study show that 50 percent of organisations earned income through selling second-hand goods, usually through a dedicated shop. However, in Smit's (2005:355) more comprehensive and wider-reaching study, he found that only eight percent of respondent organisations had operated profitable enterprises.

#### **3.4.2.7 Special events**

Special events can be used by organisations to earn income, but they are certainly not the most efficient methods of raising funds. Holloway (2001:58) states that "...most people with experience of organising events comment on the huge number (sic) of organising time that is required – sometimes a disproportionate amount of time given the income finally received." Special events come in all shapes and forms, from gala dinners to sponsored walks to concerts to golf days. While special events may be seen primarily as fundraising exercises, they have much value as public relations and marketing exercises. Special events provide the public with opportunities to engage with NPOs and their activities, which could lead to regular donations from some participants. If nothing else, high-profile special events place organisations firmly in the public eye.



### **3.4.2.8 Fundraising for capital, operational and project expenses**

Raising funds for capital expenses requires that fundraising must be done that is over-and-above the fundraising required to obtain operational expenses and project expenses. Additional benefits to NPOs from capital campaigns include increased public awareness and a broader donor base for the future (Ritchie and Kinahan, 1995). Anecdotal evidence suggests that operational expenses are the most difficult costs for NPOs to recover, as donors do not wish to fund this essential area of organisational functioning. Instead, it is suggested that they prefer to fund project expenses through which they can see direct service delivery results. These perceptions were supported by Smit (2005:354), who found that 94 percent of respondent organisations indicated that funding for operational expenditure was the most difficult of their organisations' fundraising activities.

### **3.4.3 Fundraising personnel**

Individuals are not required by legislation to have any particular qualifications in order to act as fundraisers, and as such anyone employed by or connected to an NPO may raise funds. Depending on organisations' fundraising policies and procedures, fundraising activities may be performed by only a small number of staff, who may or may not perform these activities exclusively.

#### **3.4.3.1 Director**

Fundraising has always been a role that has landed in the hands of organisations' directors. In most cases of organisations with no fundraising staff, the director will be largely or wholly responsible for fundraising. There are even cases of directors of organisations that employ fundraising staff who are more involved with fundraising than their counterparts at organisations that do not employ fundraising staff. Quite surprisingly, staff from more than half of NPOs in the US characterise their directors as being more involved with fundraising than their fundraising staff are (Hager, 2004). Smit (2005:355) found that ten percent of respondent organisations relied solely on their directors to secure their funding.

#### **3.4.3.2 Fundraisers**

Fundraising staff, or fundraisers, fulfil dedicated fundraising roles within NPOs. Employing dedicated fundraisers is beneficial in that they are specialised in their field, and do not have to split their time between core organisational activities and fundraising. However, many organisations may not employ fundraisers due to their relatively small sizes, and there appears to be resistance to the idea of spending money on the function of bring in money. Smit (2005:355) found that only 19 percent of respondent organisations employed a dedicated fundraiser. Adams (2006:60) found in her research that only 30 percent of surveyed Western Cape organisations employed a fundraiser. Of the organisations that did not employ fundraisers, over 40 percent reported that fundraising was undertaken by management and over 20 percent reported that they didn't trust fundraisers. Over 20 percent of those organisations also reported that they didn't employ fundraising staff due to a lack of finance, while seven percent of organisations felt that fundraising staff were not crucial for income-generation. The situation in the US appears to be far different from the local fundraising context. The Association of Fundraising

Professionals (AFP), the American professional body for fundraising, had over 25 000 registered members in 2001, and 55 percent of NPOs involved in a large study indicated that they employed at least one permanent fundraiser (Hager, 2004:2-3).

Fundraisers may be paid set salaries or commissions on funds generated. The AFP defines percentage-based compensation as “any compensation that is based on a percentage (sometimes referred to as a commission) of charitable contributions raised” (American Fundraising Professionals, 2002:1). Another derivative of commission-based remuneration for outsourced fundraisers is the finder’s fee, which is a set fee, not based on percentages, that is paid to a fundraiser for bringing a new donor to a not-for-profit organisation. Fundraisers may also be given performance bonuses, again not based on percentages, for bringing in certain amounts of funding.

Cuthbert (1992) warns that percentage-based compensation may appear attractive to NPOs because they do not need to pay anything upfront, but the practice comes with disadvantages. Outsourced fundraisers may value their commissions over the organisation’s need for set amounts of funding, and may settle for smaller donations in order to secure these commissions. Due to their loose affiliation to NPOs for which they are raising funds, they may not be sensitive enough to NPO’s images, and may tarnish them through aggressive, tactless sales pitches. The AFP (2002) therefore prohibits its members from being paid percentage-based compensation or finder’s fees, but they may be paid appropriate bonuses. This policy has been accepted as an international standard of practice (3<sup>rd</sup> International Fundraising Summit, 2006), to which the Southern African Institute of Fundraising also adheres.

#### **3.4.3.3 Board members**

It is compulsory for all organisations that are registered in terms of the Nonprofit Organisations Act (No. 71 of 1997) or in terms of Section 21 of the Companies Act (No 61 of 1973), to have a governing board that is responsible for executive decisions. Members of nonprofit boards may have close and useful contacts within government and the private sector, and may therefore help significantly with networking and marketing for fundraising. An American study by Hodge and Piccolo (2005) revealed that the extent of board member involvement is closely related to the types of organisational funding sources. The study also revealed that a lower level of board involvement was closely associated with a higher vulnerability to economic crises. This is pertinent in the context of the current global economic crisis.

#### **3.4.3.4 Fundraising committees**

Fundraising committees are generally volunteer-based groups that assist an organisation’s fundraising staff with fundraising matters. The committee is often comprised of several board members, paid fundraising staff, the organisation’s director and the chairperson. Cuthbert (1992:141) argues that fundraising committees are able to perform many fundraising-related functions more effectively than individuals acting alone.



### **3.4.3.5 Outsourced fundraisers**

Outsourced fundraisers are individuals acting in their private or corporate capacity that are contracted by NPOs to raise funds. As such, they are not employed by the NPO concerned, but must represent the organisation for the period of the contract.

### **3.4.3.6 Fundraising consultants**

Ritchie and Kinahan (1995:45) describe fundraising consultants as “...independent individuals or larger companies offering a broad spectrum of services to non-profit groups. They do not raise money for [organisations], they show [organisations] how to raise [their] own money.” Fundraising consultants can be hired by organisations that are not strong at fundraising as well as organisations that fundraise well.

### **3.4.3.7 Fundraising by other members of staff**

Fundraising may also be done by other members of staff within NPOs, especially in smaller organisations. Of significance to this study is the involvement of social workers and other direct service provider staff in fundraising, as this involvement may limit organisations’ abilities to deliver social services. Fundraising may take up time and energy that could otherwise have been spent on providing social work services (Smit, 2005). Smit (2005:355) found that a whole 68 percent of respondent organisations expected their direct social service staff to spend some time performing fundraising activities. Boehm (2006), however suggests that it may be beneficial for social workers to become involved in fundraising planning and fundraising activities, as well as in activating clients to become involved in fundraising.

## **3.4.4 Planning and strategising for fundraising**

Planning and strategising for fundraising activities is a vital component of organisational sustainability, in the same way that the planning and strategising of social services is vital for effective and efficient service delivery. Important issues relating to fundraising planning and strategising are discussed in the following subsections.

### **3.4.4.1 Donor research**

Cuthbert (1992:42) defines donor research as “...the systematic acquisition and recording of personal data on current and prospective (potential) donors, to identify those with shared values.” This definition was offered with individual donors in mind, but it can extend to corporate, government and nonprofit income sources as well. The aim of donor research should therefore be to gather as much information about current and potential donors as possible, so that fundraising strategies, activities and methods can be more focussed and specific, resulting in more efficient and effective fundraising. A specialised form of donor research is the feasibility study, in which responses of potential donors are tested against organisations’ income targets to see if funding campaigns will be viable. This is suggested to save time and money in the long run (Cuthbert, 1992).

### **3.4.4.2 Fundraising strategies**

Cook (2002:291) defines the concept of the fundraising strategy in relation to an organisation's objective of fundraising: "The goal of fundraising is to obtain the necessary resources to carry-out (sic) your organisation's mission. A fundraising strategy is a carefully structured, well-researched plan to gain those resources for your organisation." The most important feature of a fundraising strategy is that fundraising activities are planned and coordinated in relation to short- and long-term funding forecasts. It is important to note that a fundraising strategy specifies parameters and direction for future fundraising activities, but does not actually outline the exact steps that will be followed to secure the required funds. Those steps would be outlined in a fundraising plan.

Smit (2005:355) found that only 28 percent of respondent organisations had fundraising strategies, while Adams (2006:58) found that 65 percent of surveyed organisations had a written and functional funding strategy – although only ten percent of organisations were able to supply a copy of that document. Another Cape Town study by Lotvonen (2005:75-76) revealed that 75 percent of surveyed organisations had fundraising strategies, but that less than 27 percent of these organisations felt that they didn't have fundraising problems. Through the analysis of these organisations' financial statements it became apparent that only just over 13 percent of organisations that had funding strategies were actually financially secure and sustainable. Of the 25 percent of organisations that did not have funding strategies, 80 percent felt that they were financially insecure. What is rather worrying about the findings from this study is that 55 percent of surveyed organisations had funding strategies but still experienced fundraising problems. This suggests that either these strategies had been ill-conceived due to lack of skill or information, or the implementations of these strategies had been poorly executed due to skill or staff deficits.

### **3.4.4.3 Donor retention**

It has been suggested that fundraising efficiency can be improved by focussing on maintaining donors rather than attracting new ones. The 2008 Fundraising Effectiveness Survey Report argued that maintaining ties with donors requires far less cost and effort than attracting new ones, and that adopting this strategy would improve NPOs' fundraising efficiencies. The report found that in America between 2004 and 2006, for every \$6 that was gained by NPOs from new donors \$5 was lost through donor attrition. The net mean fundraising gains were therefore only \$1 (Association of Fundraising Professionals, 2008:8). These findings suggest to donors that if they are concerned with the organisational efficacy of the NPOs they are funding then they should commit to long-term funding provided that their beneficiary NPOs maintain service and delivery standards. Donor retention is therefore an important strategy for NPOs to adopt in order to be efficient.

### **3.4.4.4 Fundraising planning and evaluation**

Cuthbert wrote in 1992 that he found that most organisations at that time did not have fundraising plans. He suggested that fundraising plans should be built on the foundations of an organisation's overall mission, objectives and fundraising strategy. Fundraising plans outline the actions that are to be taken

and tasks that are to be completed if the necessary funds are to be brought in. He suggested that plans should be drawn up according to specific time frames, staff involvement, methods used and the costs involved in enacting the plans. Ideally a full budget for all fundraising exercises should be drawn up as well. The process of evaluation serves to aid fundraising improvement and to ensure accountability (Cuthbert, 1992).

#### **3.4.4.5 Fundraising forecasting**

A fundraising forecast is a simple statement of the amount of funding that needs to be brought into the organisation to make up for any shortfalls in current and promised income, and to ensure that a reasonable financial reserve is available at all times. Fundraising forecasts are based on organisational budgets, and can be broken down into projects and various line costs for fundraising purposes (Cuthbert, 1992).

#### **3.4.4.6 Financial sustainability**

Financial sustainability refers to the concept of an organisation being able to perpetuate its existence over time by ensuring that it has consistent and reliable income. NPOs may adopt various strategies and plans to ensure their sustainability. One strategy for achieving medium-term financial sustainability is to build reserve funds and endowments. Reserve funds are built through funds that are unconditional – such as those generated from individual donations, business enterprises, client fees and the provision of services within the private and public sector – and through funds that are donated specifically for the creation of reserve funds. Reserve funds do not only provide NPOs with finance to operate for as long as the funds will allow, but they have the potential to earn interest and hence more money for organisations.

Smit (2005:355) found that 68 percent of respondent organisations felt that their futures were not secure, with 75 percent of these organisations citing the reason for this insecurity as being due to a lack of funding (Smit, 2005:353). He also found that 89 percent of respondent organisations were unable to perform necessary organisational expansions - that would improve and increase their abilities to deliver social services - due to a lack of funding, and that organisations' percentages of total revenue from government sources had decreased in recent years, with 60 percent of respondent organisations stating this (Smit, 2005:353).

Adams (2006:57) found that if her surveyed organisations were to face sudden funding shortages, 30 percent felt that they would need to change their organisational goals, while 15 percent felt that they would have to close down and a further 15 percent felt that some services would have to be discontinued. Lotvonen's (2005:73) study revealed that if government subsidies were discontinued for the surveyed organisations, a high percentage of NPOs would have to retrench staff, discontinue some services, reduce the number of their clients, and/or be unable to develop new services. Thirty percent of organisations surveyed reported that they would have to close down if government funding was made unavailable to them (Lotvonen, 2005:84-87).

### 3.5 Indicators of fundraising performance

Some of the simplest and most effective methods of monitoring, evaluating and improving organisational performance are derived from financial analysis. Income, expenditure, assets and liabilities can be analysed in a variety of ways to ensure that an organisation uses its available resources to best effect, with the ultimate goal being the improvement of service delivery. Some methods of analysis that are pertinent to this research are discussed in the following subsections. Many of these analysis tools shall be utilised by the researcher when the data is presented later in this report.

#### 3.5.1 Fundraising effectiveness and efficiency

An American study by Brooks (2005) that had great influence on this study looked at organisations' fundraising costs as proportions of total organisational costs. The study also looked at fundraising costs as proportions of revenue derived from fundraising. The former ratio sheds light on the proportion of financial resources that are spent on fundraising activities, while the latter ratio explains how efficiently those allocated resources are utilised. It could be argued that the latter efficiency ratio is a more important indicator of fundraising performance. If a relatively large proportion of organisational finance is allocated for fundraising activities, but the yield from this allocation is high, it could then be argued that the large allocation is justified. However, if an organisation is able to efficiently bring in revenue from fundraising activities, then it is unlikely that a large proportion of organisational funds need to be allocated to fundraising activities. Brooks (2005) adds that an important variable in measuring fundraising efficiency is the amount of fundraising that an organisation does, and whether this amount is necessary. He suggests that if an organisation is fundraising more than is required, the return on these extra costs of fundraising may be lower than the return on initial fundraising costs. This would affect both the fundraising efficiency ratio and the ratio of total organisational spending to fundraising costs.

Brooks argued that the two ratios mentioned above are most meaningful when peer organisations compare against each other. The study further suggested that a much larger national study be conducted so that a ranking system and benchmark could be established against which all NPOs could compare themselves. This would enable NPOs not included in the study to compare their own fundraising efficiency ratios to national and state data. A highly problematic obstacle to comparing the fundraising ratios of organisations is the accuracy of reported financial values. The data from Brook's study came from compulsory US government forms that required organisations to specify certain items of total organisational expenses, one of which was overall fundraising costs. The major difficulty here is that fundraising staff expenses would usually be lumped with salary expenses, and fundraising expenses such as telephone costs and vehicle usage would generally be lumped with their respective overall costs. The reported fundraising costs would likely be significantly underestimated and therefore would not have resulted in accurate fundraising efficiency ratios.

Hager (2003) found major inconsistencies between NPOs in how they allocated and reported their fundraising expenses, which much of time were lumped within the administrative cost category. Pollack and Rooney (2003:2) similarly found that just under 20 percent of studied NPOs reported that they spent either all or none of their total finances on administrative functions – which is clearly impossible

if any services are being offered to communities - indicating that government form financial data is not a reliable source for accurate ratio analysis. The data from Pollack and Rooney (2003), Hager (2003) and Brooks' (2005) studies came from standardised US NPO reporting forms that are required by government. Hager also used survey data to verify his official reported figures.

A standardised calculation of fundraising costs, including variables such as salaries and communications, would need to be established and followed if the data were to be accurate enough for meaningful comparison. Without such a standardised measure, reported fundraising figures would not be able to be treated as accurate. Ultimately it boils down to management's willingness and ability to accurately allocate and document fundraising costs. This is clearly not something that many managers, directors or fundraisers have engaged with.

The mean fundraising efficiency ratio for all organisations in Brooks' (2005:366) study was calculated to be 131, indicating that the average fundraising revenue was 131 times the amount spent on fundraising activities. The maximum recorded value for this measurement was 1484 and the minimum recorded value was 0.33 (Brooks, 2005:366). The standard deviation of 300 showed that the results were scattered across this spectrum and not concentrated around the mean value. On average, organisations spent six percent of their finances on fundraising, with results varying between 0.0066 percent and 36.8 percent (Brooks, 2005:366). The mean result of six, however, was not a good reflection of the central tendency of the sample – almost two-thirds of the sample spent less than three percent of their finances on fundraising, with the mean being distorted by a few outlying values (Brooks, 2005:366-367).

### **3.5.2 Organisational effectiveness and efficiency**

Fundraising efficiency falls under the broader category of overall organisational efficiency. Organisational effectiveness and efficiency are two commonly-used measurements within the nonprofit sector. They indicate, respectively, whether organisations are able to meet their objectives and whether they can do so by using as few resources as possible. Frumpkin and Kim (2001:267) define organisational efficiency as "...the reporting of a below average administrative to total expense ratio." In other words, efficient organisations can achieve their objectives by spending proportionately less on administrative costs than can less efficient organisations. Donors are increasingly stressing the need for organisations to run their operations efficiently due to a history of poorly-run NPOs and misspent funds. Frumpkin and Kim (2001) sought to determine whether efficient organisations were indeed rewarded with increased funding, or whether other more emotive factors were influencing donor trends.

The results of Frumpkin and Kim's (2001) American study revealed that there was almost no relationship between organisational efficiency and increased donor confidence, as measured by increased financial support. This was true within fields of service as well as across fields of service. The field of service within which organisations operated had far more influence over financial support than did the ability to demonstrate efficiency. Predictably, organisations that spent more on marketing themselves to potential donors received greater amounts of financial support. These findings suggest that "...philanthropy may have developed an impressive business-based lexicon, but the majority of giving remains idiosyncratic and emotive" (Frumpkin and Kim, 2001:269). The results question the wisdom of efficiency within



NPOs, showing that while efficient organisations may be operating according to desired standards they may not in fact be utilising their resources most effectively. In spending more on administrative costs that relate to marketing and fundraising, organisations appear to be more likely to generate income than if they had scaled these costs down in order to demonstrate organisational efficiency.

Hager and Greenlee (2004) suggest that using financial data for efficiency performance ratios have the advantages of easy access to data, legitimate comparison between an eclectic variety of organisations that offer different services, and a history of established procedures to build on. The weaknesses of these ratios are that accounting problems can creep in and distort data (for example, miscalculations of administrative and service expense breakdowns), the bigger picture of service delivery may be missed, and organisations may structure their activities and projects to reflect efficiency rather than an ability to meet the needs of their client communities. Bedsworth, Gregory and Howard (2008) found that overhead costs for NPOs were generally greater than what could be found in organisations' financial statements and reports. Much of the time it appeared that organisations were under-reporting their overhead costs in these documents due to the belief that if they appeared to be more efficient they would receive more funding. It was also found that NPO leaders felt pressurised to conform to existing donors' apparently unrealistic expectations of financial efficiency, and therefore continued to provide inaccurate data in their reports.

### **3.5.3 Fundraising dependency**

Zappala and Lyons (2006:401) define fundraising dependency as "...the percentage of a nonprofit organisation's total revenue that derives from fundraising activities in any particular financial year." These authors did not classify earned income – money derived from profitable enterprises, membership fees and other charges – as fundraising income. In their Australian study, Zappala and Lyons (2006) compared fundraising dependency results to organisational factors, revenue generation models and approaches to fundraising.

The researchers found that social service organisations had much lower fundraising dependency ratios than other types of NPOs, due to their high percentage of state funding. Smaller organisations (in terms of revenue, and not extent of service) and organisations located in major cities also had higher fundraising dependency values than financially larger organisations and rural organisations respectively. The researchers also found that organisations that employed full-time fundraising staff, made use of a variety of fundraising techniques and used the services of volunteer fundraisers had high fundraising dependency values. It is important to note that high fundraising dependency ratios do not necessarily correlate with a poor outlook for organisational sustainability. NPOs that derive their income from a large variety of sources, but have a high level of fundraising dependency, may be less vulnerable to donor withdrawals than organisations that rely on fewer income sources, including significant sources of funding that might not be considered to be fundraising revenue.

### 3.5.4 Defensive ratio

Current assets and current liabilities can give an indication of an organisation's financial health in terms of its ability to pay for its operations into the future. A useful tool that can be used to ascertain organisational financial health is the defensive ratio, which indicates the length of time in days that an organisation would be able to pay for its operations based on current assets and liabilities and its most recent annual expenditure. The ratio is calculated by first calculating net current assets (by subtracting current liabilities from current assets), and dividing this figure by the quotient of the past year's annual expenditure over 365. The formula for this equation is as follows:

$$\frac{\left( \frac{\text{annual expenditure}}{365} \right)}{(\text{current assets} - \text{current liabilities})}$$

The defensive ratio only represents a moment in time, however, and may not be a true reflection of organisational financial health. It may be that an organisation receives a large donation or grant shortly after its financial year-end. It is therefore quite possible that the defensive ratio for an organisation's year-end may not capture such an improved financial situation.

Fifty-three percent of organisations surveyed in Lotvonen's (2005:75) study had defensive ratios that would have allowed them to operate for a further 3 months or more without having to earn extra income. The remaining 47 percent of organisations had defensive ratios that would have allowed them to operate for less than 3 months. Ten percent of organisations would only have remained in operation for less than seven days unless extra funding was secured.

## 3.6 Conclusion

This concludes the chapter reviewing available research and literature pertaining to fundraising and fundraising efficiency. The information presented in this chapter constitutes a contextual reference point against which the findings from this study - which are presented and discussed in the following chapter - can be interpreted. Where possible, it shall be shown how the findings either support or argue against the literature reviewed in this chapter.



## Chapter 4 Presentation and Discussion of Findings

In this chapter the findings that emerged from the study shall be presented and discussed in relation to each other and to findings from other studies. By the end of the chapter a comprehensive picture of the state of fundraising within the social service sector in South Africa shall become apparent, and a thorough contextual discussion of the more pertinent findings that emerged shall have been performed. From the findings discussed and presented here, conclusions and recommendations shall be made in the following and final chapter of this report.

### 4.1 Population Profile

Section one of the questionnaire contained questions relating to organisational characteristics. A population profile has been derived from data gathered from that section. The unit of analysis here, and within the remainder of the report, is the SSO unless specified otherwise.

#### 4.1.1 Distribution of respondents by organisation type

Organisations that existed autonomously, but were affiliated to a national body numbered 74 (84 percent) of the total 88 SSOs, while organisations that were branch offices, provincial offices or programmes of national bodies numbered eight (nine percent), five (six percent) and one (one percent) of the total organisations respectively (table4-1).

**Table 4-1: Distribution of organisations by relationship to national body.**

Relationship to national body	Number of organisations
Affiliated	74
Branch	8
Provincial branch	5
Programme	1

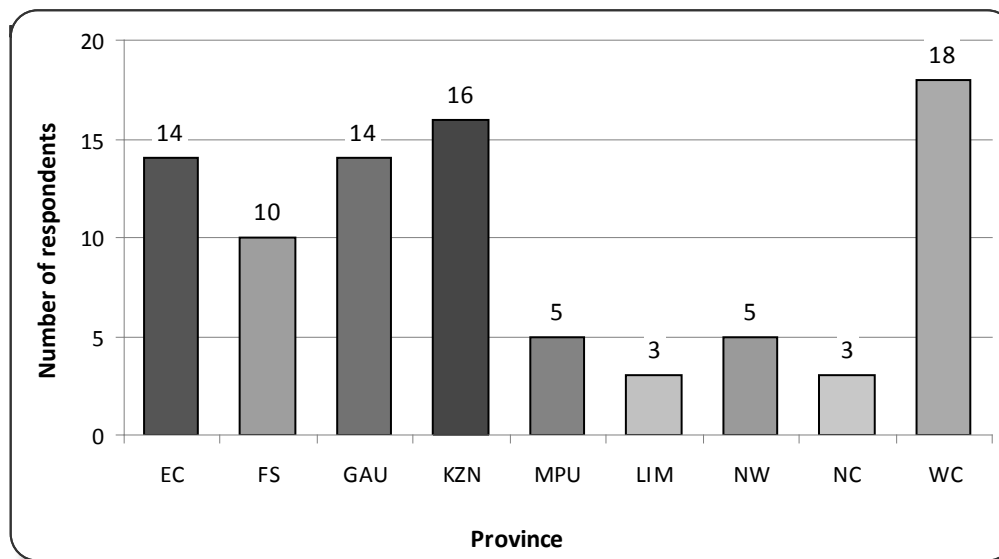
Twelve of these organisations (14 percent) acted as provincial offices for their national bodies, either as sole affiliates operating in a particular province or as provincial branches of their respective national bodies.

#### 4.1.2 Provincial distribution of respondents

Of the 88 SSOs that responded to the survey, the majority were situated in the wealthier provinces of the Western Cape, KwaZulu-Natal, Gauteng, and the Free State. These provinces accounted for 18, 16, 14 and 10 of the organisations respectively. Somewhat suprisingly the Eastern Cape, one of the poorest and most under-resourced provinces in the country, also accounted for 14 respondents. This is in contrast to much lower responses from other less-resourced provinces of Mpumalanga, North-West and Limpopo, each accounting for five, five and three organisations respectively, and the low-population province

of the Northern Cape with three organisations. The distribution of respondents across provinces is illustrated in graph 4-1.

**Graph 4-1: Number of respondents across provinces**



The number of organisations from the Eastern Cape that were sent questionnaires was also significantly higher than those for other provinces with similar financial resources and infrastructure. The response rate of the Eastern Cape organisations (53.8 percent) was only slightly over the overall response rate (50.6 percent). The only organisations that differed significantly from the average response rate were Mpumalanga, in which 83.3 percent of its six organisations responded, and Limpopo, which under-represented itself with a response rate of 30 percent from its ten organisations. The Eastern Cape was placed up with the Western Cape, Gauteng and KwaZulu-Natal as having over 25 organisations that were sent questionnaires. Response rates per province are presented in table 4-2.

**Table 4-2: Response rates by province**

Province	Questionnaires sent	Questionnaires received	Response rate (%)
EC	26	14	53.8%
FS	16	10	62.5%
Gau	35	14	40.0%
KZN	31	16	51.6%
Mpu	6	5	83.3%
Lim	10	3	30.0%
NW	9	5	55.6%
NC	6	3	50.0%
WC	35	18	51.4%
<b>Total</b>	<b>174</b>	<b>88</b>	<b>50.6%</b>

### 4.1.3 Rural/urban location of respondents

For the purposes of this research a distinction needed to be made between rural and urban SSOs so that it could be ascertained whether or not urban organisations had been more successful with their fundraising practices, mainly due to their closer geographic proximity to areas of wealth. The researcher used projected data from the 2001 South African Census to identify municipalities in which more than 500 000 people resided. The number of residents required to classify a municipality as urban is fairly arbitrary, but it was felt to be appropriate for the purposes of this research. The eleven municipalities that met the population size criterion are presented in table 4-3.

**Table 4-3: Municipal areas with over 500 000 residents**

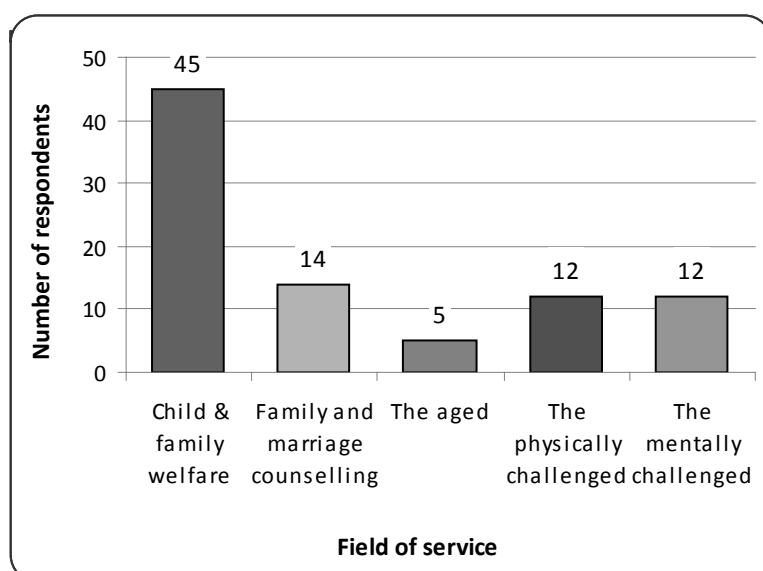
Municipality - 2005	Total population
Cape Town	2 892 243
Ethekwini (Durban)	3 090 122
Ekurhuleni (East Rand)	2 478 631
Buffalo City (East London)	695 278
Manguang (Bloemfontein)	645 440
Emfuleni (Vereeniging, Vanderbijlpark)	658 420
Johannesburg	3 225 309
Msunduzi (Pietermaritzburg)	552 837
Polokwane	508 277
Nelson Mandela (Port Elizabeth)	1 005 779
Pretoria	1 982 235

It was found that forty-seven SSOs (53 percent) were located in rural municipalities, while the remaining 41 SSOs (47 percent) were located in urban municipalities. This is a fairly even distribution of organisations, which makes for more meaningful comparison between the two categories.

### 4.1.4 Distribution of respondents by field of service

Respondents were asked to identify their primary field of service from a list of the six fields of service identified in section 2.1. Just over 50 percent of respondents (45 organisations) reported that they provided services primarily in the field of child and family welfare, which was by far the largest field of service represented. On the other end of the scale, only five respondents (six percent) operated primarily within the field of the aged. All five of these organisations were all provincial offices of their shared national body. Affiliates of this national body were not surveyed because many of them would have been old age homes that would have offered very little social work services in relation to non-social work-related residential care. The resources required for these operations would not have been consistent with the resources required for more social work-specific service delivery. The distribution of organisations across fields of service are illustrated in graph 4-2.

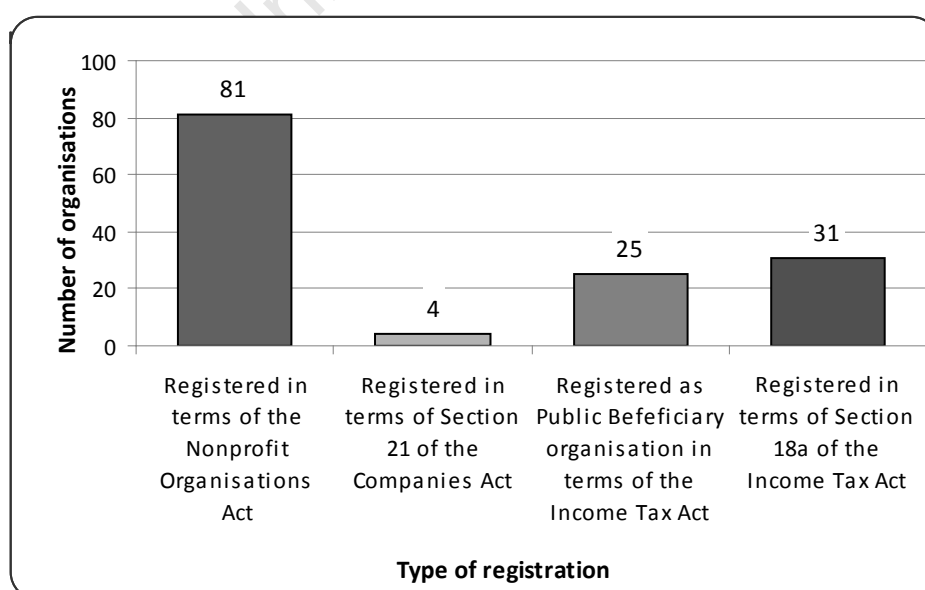
**Graph 4-2: Distribution of respondents across primary fields of service**



#### 4.1.5 Organisational registration

Respondents were asked to specify the legislation/s under which their organisations were registered. Surprisingly, only 81 (92 percent) organisations were registered as NPOs, with three of these organisations being registered as Section 21 companies as well. One organisation was registered as a Section 21 company but not as an NPO. Thirty-one respondents reported that their organisations were registered as PBOs and only 25 reported being 18A registered. Graph 4-3 illustrates the incidence of registration amongst respondents. It is a point of concern that so many organisations were not registered in terms of Section 18A of the Income Tax Act (No 58 of 1962). This reveals that most organisations were not optimally registered to take full advantage of tax breaks for themselves and for potential donors, which would certainly have impacted on their abilities to raise funds.

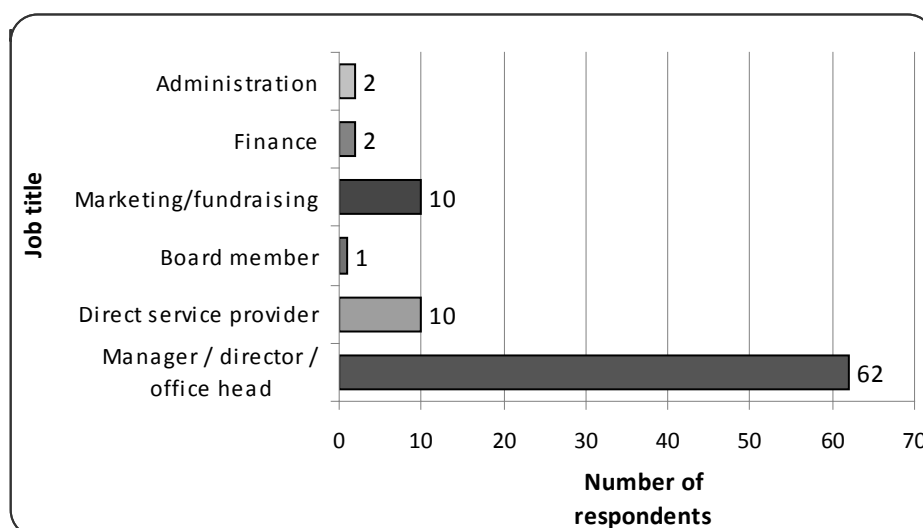
**Graph 4-3: Incidence of organisational registration**



#### 4.1.6 Job titles of respondents

Predictably, most of the respondents who filled in the questionnaires were directors, office heads or managers of their organisations, with 62 (71 percent) respondents working in upper managerial capacities. Ten marketers and/or fundraisers and ten direct social service staff (both 11 percent of the total) completed questionnaires, with two administrative personnel, two financial personnel and one board member having completed the remaining questionnaires (graph 4-4).

**Graph 4-4: Job titles of respondents**



#### 4.1.7 Distribution of national bodies

Of the seven national bodies that participated in the survey, five were situated in the Western Cape and two were situated in Gauteng. Two national bodies were based outside of major urban municipalities – in Knysna and Worcester, both in the Western Cape. No national bodies representing the fields of child and family welfare nor of family and marriage counselling returned questionnaires, while national bodies representing the physically challenged numbered four. National bodies representing the aged, crime and the mentally disabled numbered one organisation in each field of service (table 4-4).

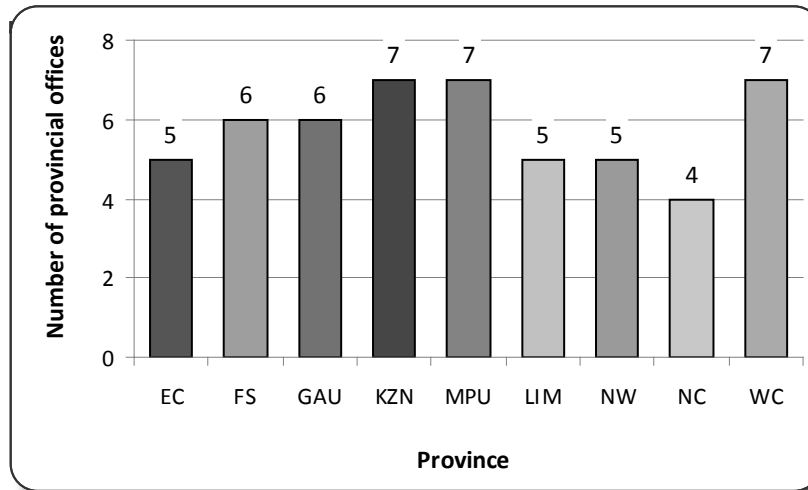
**Table 4-4: National body responses by field of service**

Field of service	Number of organisations
Child & family welfare	0
Family and marriage counselling	0
The aged	1
The physically challenged	4
The mentally challenged	1
Crime and rehabilitation	1

National bodies were asked to specify the provinces in which they had provincial branches. Four out of seven national bodies had provincial offices in all nine provinces, while one national body had provincial

offices in eight provinces. The remaining two national bodies had provincial offices in five and three provinces respectively. The province that had the fewest provincial offices of the participating national bodies was the Northern Cape, which has only four provincial offices. The provincial distribution of provincial offices of national bodies is shown in graph 4-5.

**Graph 4-5: Existence of national bodies' provincial offices within provinces**



Six of the seven national bodies were registered as NPOs, with one of them being registered as a Section 21 Company as well. One national body was registered as a Section 21 Company but not as an NPO. Only four national bodies were registered as PBOs and a mere two national bodies were 18A registered. All of these national bodies should theoretically qualify for the tax exemptions offered by PBO and 18A registration, and it is a point of concern that organisations that exist to guide and regulate the activities of their branches and affiliates are themselves not maximising their resources and doing their utmost to make donating an attractive prospect to potential donors.

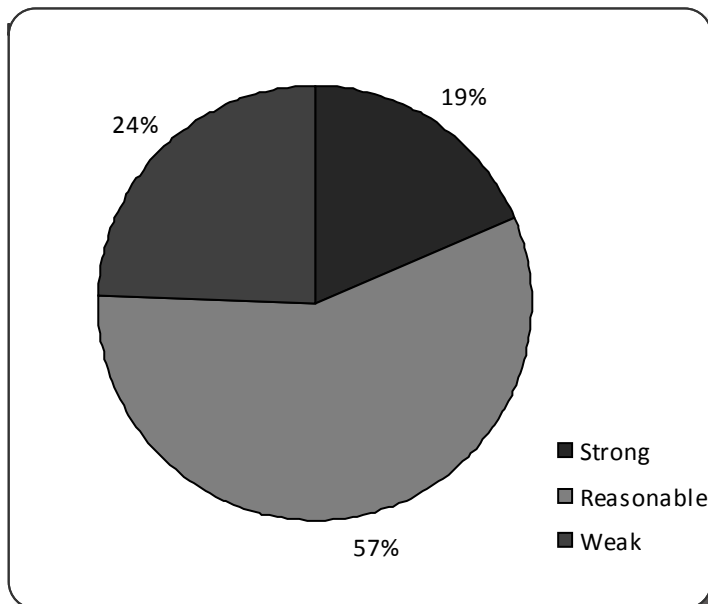
## 4.2 Financial situations and fundraising difficulties

A section of the questionnaire focussed on determining how respondents felt about their organisations' financial situations and the specific difficulties that may have affected their abilities to raise funds. Some of the results from these responses shall be discussed further in the following sections once organisations' financial data has been discussed.

### 4.2.1 Perceived financial situations

Respondents were asked to indicate whether they felt their financial situations were strong, reasonable or weak. Forty-nine respondents (57 percent) felt that their organisations' financial situations were reasonable, while 21 (24 percent) and 16 (19 percent) of respondents perceived their financial situations to be weak and strong respectively (Graph 4-6). These perceptions shall be analysed in the remaining sections of the report in relation to data extracted from their audited financial statements and data gathered from their completed questionnaires.

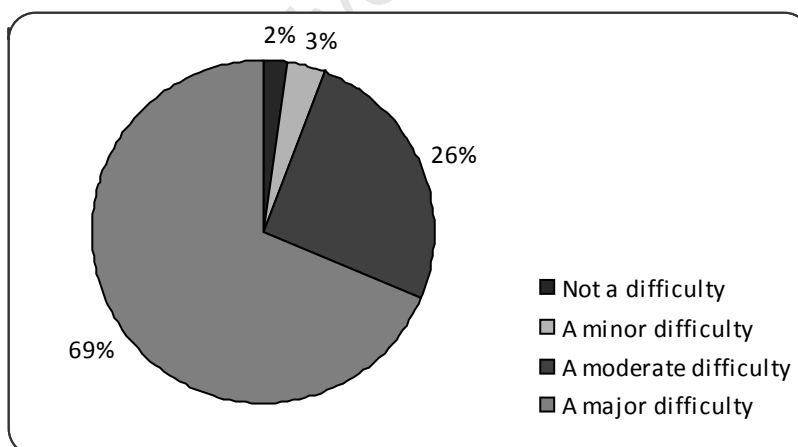
**Graph 4-6: Perceived financial situation**



#### **4.2.2 Perceived severity of funding-related problems**

Respondents were asked to rank potential funding-related difficulties that their organisations faced on a Likert scale ranging from “Not a difficulty” to “A major difficulty”. Six fundraising-related issues were presented to which respondents could respond. Sixty-nine percent of organisations felt that the problem of insufficient government subsidies was a major difficulty, with over a quarter of organisations perceiving it to be a moderate difficulty. This meant that only five percent of organisations felt that it was either a minor difficulty or not a difficulty at all (Graph 4-7). These results were consistent with those found by Smit (2005), Lotvonen (2005) and Adams (2006) in their local studies.

**Graph 4-7: Insufficient government subsidies**

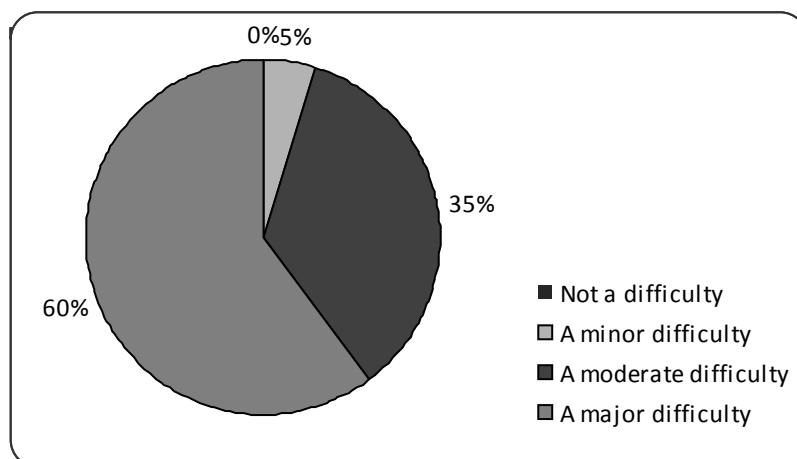


When asked to rate the potential problem of competition for funds, 60 percent of respondents felt that this was a major difficulty. A further 35 percent felt that this was a moderate difficulty, leaving once again only five percent of organisations feeling that this was a minor difficulty. No respondents felt that the issue was not a difficulty at all. These responses suggest that there existed an attitude that there is limited available funding, and that staff involved in fundraising are concerned that they may not be able



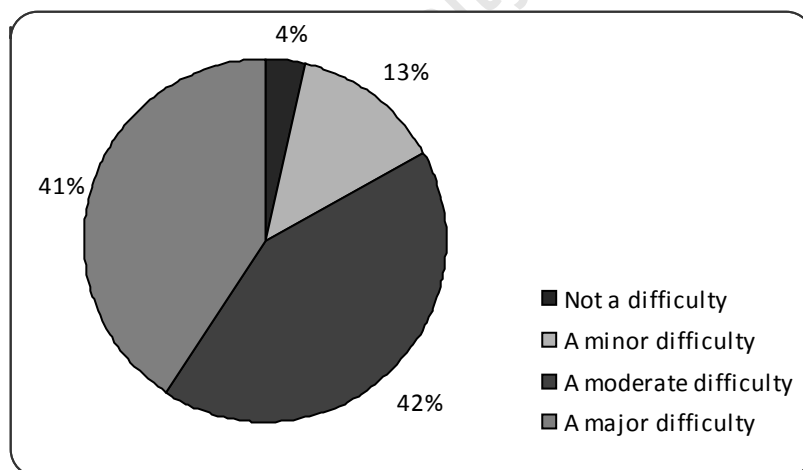
to access this finance before other organisations get hold of it. Graph 4-8 illustrates these perceptions. Smit (2005) obtained similar results from his study.

**Graph 4-8: Competition for limited funds**



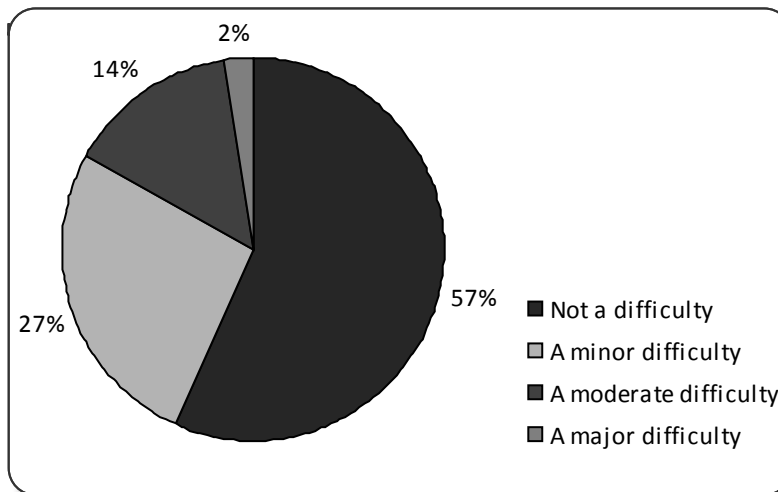
Despite the majority of respondents having felt that insufficient government subsidies and competition for limited funds were major funding-related difficulties, fewer organisations felt as strongly about the problem of not having enough money. Forty-one percent of organisations perceived a lack of finance to be a major problem, with another 42 percent perceiving it to be a moderate problem (Graph 4-9). The combined percentage (83 percent) of respondents who perceived financial deficiencies to be major and moderate difficulties is, however, significant and reveals that staff found it difficult to operate with only their current financial resources.

**Graph 4-9: Not enough money**



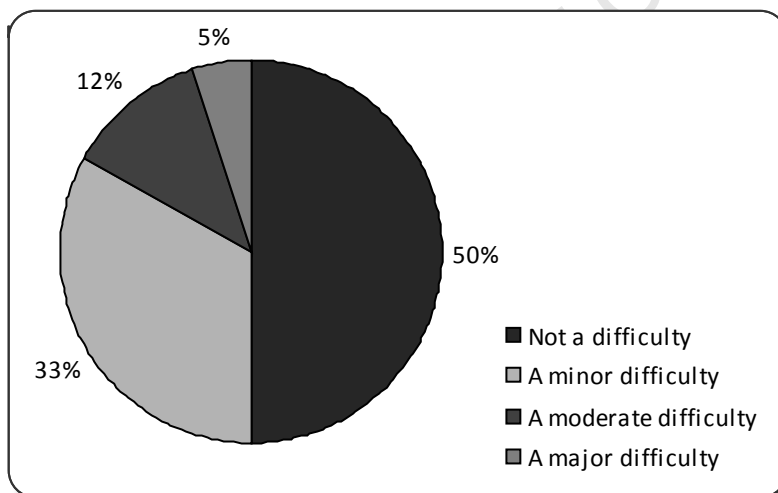
In contrast to the perceptions discussed above, the majority of respondents (57 percent) felt that a poor public image of their organisations was not a difficulty that affected their organisations, and 27 percent felt it to be only a minor difficulty. Of the remaining 16 respondents, only 2 percent felt the issue to be a major difficulty (Graph 4-10).

**Graph 4-10: Poor public image of organisation**



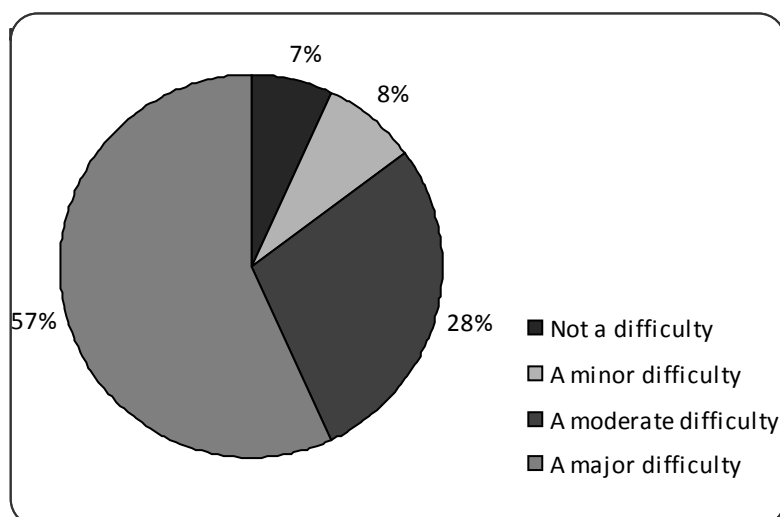
Fifty percent of respondents felt that not fulfilling donors' funding criteria to be able to access donor funds was not a difficulty that affected their organisations, with 33 percent perceiving the issue to be only a minor difficulty. Twelve percent felt that it was a moderate difficulty, leaving five percent to consider it a major difficulty (Graph 4-11). Further analysis revealed that these perceptions were spread fairly evenly between fields of service, and it was therefore not apparent that any one field of service was more prejudiced by donors' funding criteria.

**Graph 4-11: Organisation not fulfilling funding criteria**



Fifty-seven percent of organisations felt that the problem of insufficient fundraising staff was a major difficulty, with 28 percent of organisations perceiving it to be a moderate difficulty. Seven and eight percent of respondents respectively thought that insufficient fundraising staff was either not a difficulty or a minor difficulty (Graph 4-12). These perceptions shall be analysed in relation to the actual employment of fundraising staff in section 4.4.3.

**Graph 4-12: Insufficient fundraising staff**



### 4.3 Financial data

As can be seen from the results discussed in the previous section, respondents perceived their organisations' financial situations and fundraising-related difficulties to be rather negative on the whole. It is important to now look at the financial data that was gathered from participating organisations, so that these perceptions can be analysed in relation to organisation's *actual* measurable financial situations. In this section it shall be evaluated whether or not respondents' reported financial data were accurate, and trends that emerged from financial data shall be discussed.

Financial figures that could be found in audited financial statements and that were pertinent to the research included income, expenditure, fundraising revenue (according to the researcher's definition of the term), government funding and subsidies, assets and liabilities. Almost all audited financial statements that were submitted by organisations contained data that was more comprehensive and detailed than legally required by said Nonprofit Organisations Act (No. 71 of 1997). This made it possible to easily extract the data mentioned above. Fundraising expenditure, and respective organisational spending on administrative and service delivery functions, could not be identified in financial statements and was instead gathered from questions within the questionnaire.

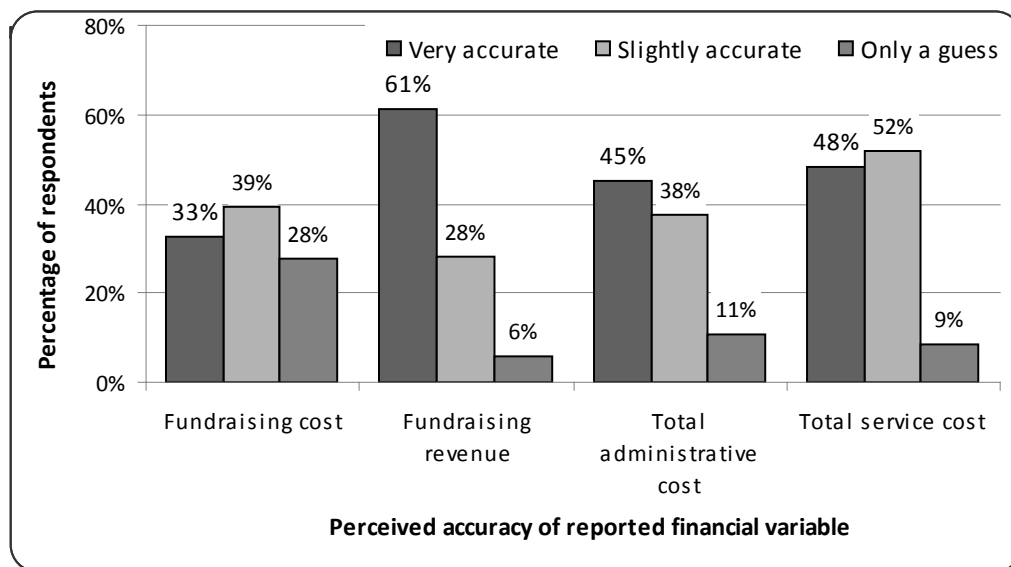
The amounts of revenue that were obtained from provincial and national bodies were also requested in the questionnaires. Due to the overwhelming majority of organisations that indicated that they received no funding from their national bodies and provincial offices, the low Rand values of national and provincial office funding indicated in the financial section of the questionnaire, and the depth of other important financial data gathered, these figures have not been interrogated further.

#### 4.3.1 Determining the accuracy of reported financial data

Respondents were asked to qualify their reported financial data with statements pertaining to the data's perceived accuracy. Respondents were thus asked to indicate whether their figures were very accurate, slightly accurate or only a guess. Responses were evenly spread regarding the reported accuracy of

fundraising costs, with 33 percent, 29 percent and 28 percent of respondents respectively indicating that their reported values were very accurate, slightly accurate and only a guess (nine percent did not respond this question). This represents a rather large proportion of organisations that did not provide data that they perceived as very reliable. Over 60 percent of respondents reported their fundraising revenue figures to be very accurate, with only six percent reporting these figures to be only a guess. Around ten percent of respondents indicated that their administrative costs and/or service provision costs were only guesses, with the remaining approximately 90 percent of organisations being divided rather evenly between providing very and slightly accurate data for administrative and service expenses. These responses are illustrated in graph 4-13.

**Graph 4-13: Reported accuracy of reported financial data**



Despite the questions on accuracy of reported data, the researcher felt it necessary to verify that reported accuracy had been correct so that it could be analysed further. Recall that Brooks (2005), Hager (2003) and Rooney (2003) all found that organisations consistently misrepresented their fundraising expenses due to not having gone into the depth of calculation required to calculate this figure realistically. The researcher therefore sought to ascertain whether this study's respondents had reported in the same manner or whether they had been accurate. Fifty-three organisations (sixty percent) provided their audited financial statements to the researcher as well as reported their fundraising expenses, revenue and total expenditure in the questionnaire. Reported data could therefore only be verified for accuracy for those organisations. In order for organisations' reported data to have been considered to have been accurate, the data needed to meet a further two out of three conditions. This process shall be discussed in the following three subsections.

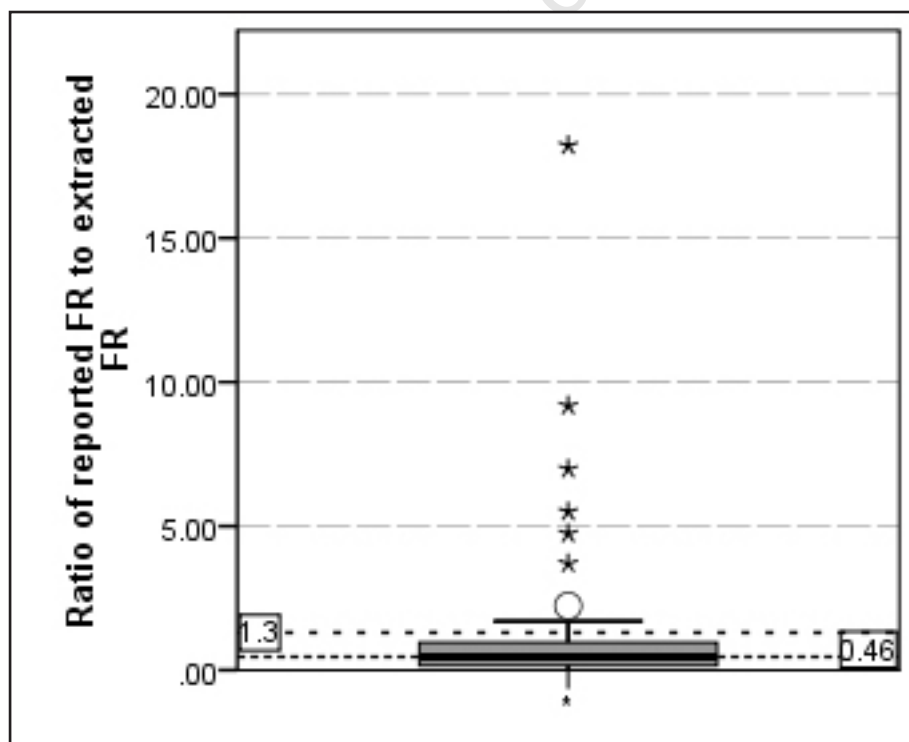
#### **4.3.1.1 Reported and extracted fundraising revenue data**

Ratios of reported to extracted fundraising revenue ratios were derived by dividing reported fundraising revenue figures by extracted fundraising revenue figures. For an organisation's reported fundraising revenue to have been perfectly accurate according to the researcher's definition of fundraising revenue, its ratio of reported to extracted fundraising revenue would have had to have been 1.00. The closer

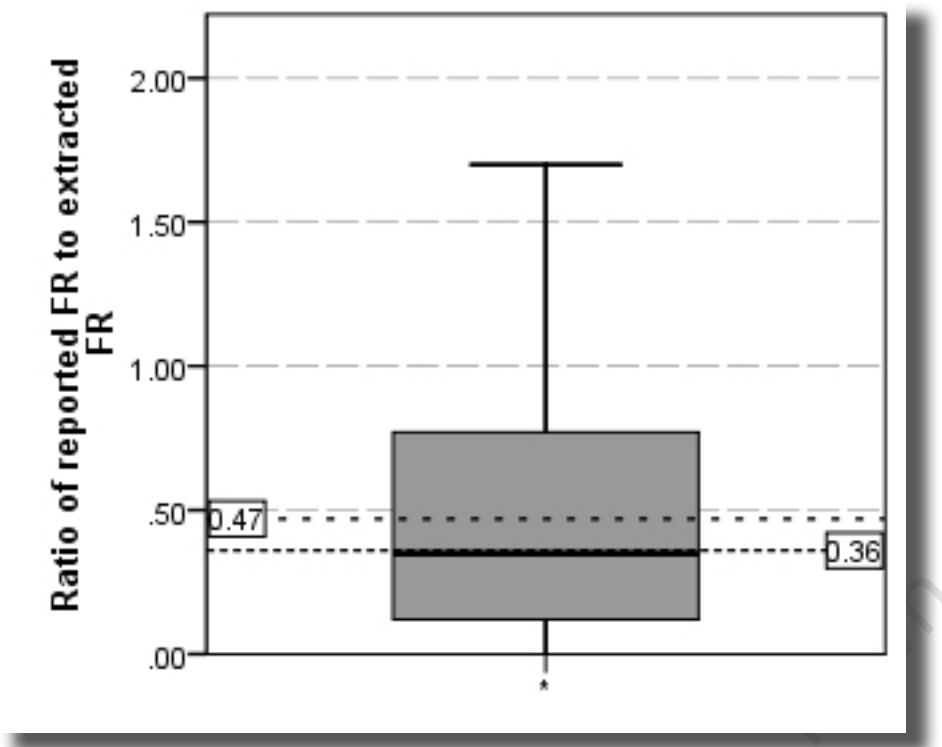
to 1.00 an organisation's ratio was, the more accurate its reported fundraising revenue values would have been. However, if fundraising revenue was defined consistently differently to the researcher's definition, then fundraising revenue ratios would have clustered more intensively above or below 1.00.

When fundraising revenue ratios for all 53 organisations (that had met the first two conditions specified above) were calculated, the results revealed a wide, inconsistent range of ratios. Very few of these ratios were close to 1.00, with only eight organisations demonstrating ratios that were less than 20 percent higher or lower than 1.00. Seven of these organisations had ratios of between 0.80 and 1.00. The mean fundraising revenue comparison ratio was pushed up dramatically by a few extreme outlying values and was calculated to have been 1.30. The smallest ratio was 0.00, indicating that the respondent in question reported R0.00 of fundraising revenue. The largest ratio was 18.22, indicating that that this particular respondent's reported fundraising revenue was over 18 times the amount that was extracted from the organisation's audited financial statement. Graph 4-14 shows the quartile distribution of fundraising revenue comparison ratios, and extreme outliers are clearly visible. The median, or 50<sup>th</sup> percentile, was 0.45, and the 25<sup>th</sup> and 75<sup>th</sup> percentiles were 0.16 and 0.96 respectively. The standard deviation was 2.86, which indicates a wide spread of data. When outlying values over the value of 2.00 had been removed, the spread of data surrounding the ideal ratio of 1.00 can be seen more clearly (Graph 4-15). The first three quartiles were then spread quite evenly between ratios of approximately 0.00 and 0.75, with the fourth quartile spreading between the ratios of approximately 0.75 and 1.75. The vast majority of respondents therefore under-reported their fundraising revenue – some only slightly and some immensely.

**Graph 4-14: Spread of ratios of reported over extracted fundraising revenue**



**Graph 4-15: Spread of ratios of reported over extracted fundraising revenue, with outliers above 2.00 having been removed**



It is important to note that ratios must be interpreted differently to other numeric values such as the number of staff in an organisation. A ratio of 2.00, for example, is just as close to a ratio of 1.00 as is a ratio of 0.50, with each value being an inverse *proportion* of 1.00, and not representative of the *difference* between itself and 1.00. A ratio of 0.20, for example, would therefore demonstrate the same proportion of error as would a ratio of 5.00. In the case of the former the reported figure would be five times less than the extracted figure, while in the case of the latter the reported figure would be five times more than the extracted figure. For the purposes to be explained in the following paragraphs, all ratios above 1.00 would be inverted so that a meaningful comparison could be made between the fundraising revenue accuracy ratios of different organisations.

A Spearman correlation test was conducted to ascertain whether respondents' reported accuracy of their reported data was itself accurate. Organisations' ratios of reported to extracted fundraising revenue were correlated with their respondents' indications of whether their reported fundraising revenue values were very accurate, slightly accurate or only guesses. The test yielded a Spearman correlation coefficient result of -0.046, which indicates that there was no relationship at the 0.05 level ( $n=53$ ) between the variables of actual accuracy of reported fundraising revenue and the reported accuracy of reported fundraising revenue. Responses indicating that figures were very accurate were therefore shown to be meaningless. Recall that 61 percent of respondents indicated that their reported fundraising revenue figures were very accurate. This puts into question the reliability of the other reported data (and the respondents' reports of the accuracy of this reported data) that was gathered through the questionnaires.

The researcher then sought to find out whether some organisations had reported their fundraising revenue accurately in ways that were not consistent with the researcher's definition of the term, but rather with an alternative common definition of the term. The researcher therefore removed outlying ratio values



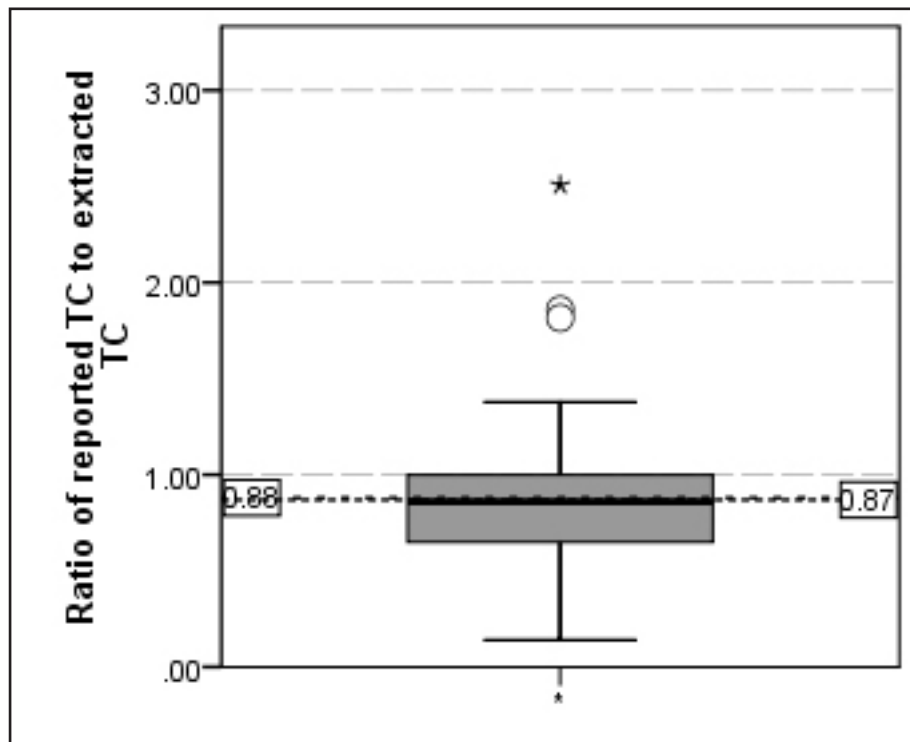
that lay further outside of one standard deviation (2.86) from the mean (1.30), as well as ratios of 0.00 that were derived from organisations that had reported no fundraising revenue. The outlying values were removed so that respondents who provided very inaccurate figures would not skew the data. Nine such values were removed, leaving 44 ratios from which a new mean ratio could be calculated. A new mean was then derived from the filtered fundraising revenue ratios, which was calculated to be 0.59. This mean ratio was considered by the researcher to be representative of the average manner in which organisations defined and calculated their fundraising revenue, and that these results would therefore be consistent with each other. Organisations that had fundraising revenue accuracy ratios that were 20 percent higher or lower than 0.59 – within the range between 0.71 and 0.47 – were considered to be accurate according to commonly held definitions of the term. Only six organisations were deemed to have reported their fundraising revenue accurately according to these conditions.

#### **4.3.1.2 *Reported and extracted organisational expenditure***

In a similar manner to that of the fundraising revenue ratios discussed in the previous section, the researcher analysed reported total expenditure figures for administrative and service functions to confirm whether or not these figures were accurate. Two categories of organisational expenditure, namely administrative and service expenditure, were explicitly defined in the questionnaire. The sum of each organisation's reported figures for each expenditure category would have to have equalled their total expenditure figures extracted from their audited financial statements, if reported figures were to have been considered to have been accurate. However, the two figures together could have equalled the figure for total organisational spending, but may not necessarily have been accurate for each respective category of expense. Still, the researcher felt it necessary to verify that respondents had at least been accurate enough to ensure that their combined service and administrative expenditure equalled their figures for total organisational spending.

Ratios of reported expenditure to extracted expenditure were calculated for each organisation. The mean ratio, 1.09, was fairly close to the desired value of 1.00. Again, this mean was being skewed by some outlying values, in particular one extreme outlying value of 12.39 (the next largest outlying value was 2.51). The lowest ratio of 0.00 shows that one respondent reported no administrative costs, which is an unrealistic figure. The standard deviation of 1.68 was thus made to appear much higher than it would have been without the high outlying ratio. The median was 0.86, which was relatively close to the desired median ratio of 1.00, but still almost 15 percent lower than that value. The two extreme outlying values were removed and a new summary of central tendencies was created. The revised median ratio remained constant at 0.86. The mean ratio dropped to 0.88, almost the same value as the median, and the standard deviation changed to 0.40, indicating a far lower spread of data than before the outlying ratios were removed. Graph 4-16 illustrates the spread of data with the two extreme outliers removed. Ratios lying within the second and third quartile fell between 1.00 and 0.65 – meaning that 50 percent of organisations' total cost accuracy ratios fell between 1.00 and 0.65 – with ratios in the first and fourth percentiles reaching 0.14 and 1.38 respectively. Three outlying values extend to 2.51.

**Graph 4-16: Spread of ratios between reported TC and extracted TC, without the extreme outlying ratios of 12.39 and 0.00**



Only six respondents provided data that equated to a ratio of 1.00, meaning that their reported data corresponded perfectly with their organisations' extracted data. Allowing for a 20 percent margin of reporting error by the respondents, 23 organisations met the criterion of having reported correctly on their total organisational costs. In light of the fact that all respondents would have had access to their organisations' financial statements, and that the sum of their administrative and service costs should have equalled the values of total organisational cost in their income statements, this is a very low figure.

To ascertain whether or not respondents had reported correctly on the accuracy of their reported total cost, the researcher performed a Spearman correlation analysis between reported accuracy of data and the ratios calculated above. The test revealed a Spearman correlation coefficient of -0.322, which was deemed to be significant at the 0.05 level ( $n=49$ ), but still indicates a relatively weak relationship in light of the relative ease in which this data could have been accurately reported.

#### **4.3.1.3 Organisational size**

Organisations of a certain size would be considered to have reported accurately on their financial figures by virtue of the fact that their sizes would have forced them to have employed sufficient accounting and managerial staff to manage their finances and activities. The researcher decided that organisations that had total incomes of over R 4 million would meet the organisational size criterion. From the data extracted from organisations' audited financial statements the researcher was able to identify 17 organisations (32 percent) that met this organisational size criterion.

#### **4.3.1.4 Evaluation of reported financial data accuracy**

Of the 53 organisations that had submitted their audited financial statements and had reported on the requested financial figures in section six of the questionnaire, eight organisations met the conditions specified in terms of their fundraising revenue accuracy ratios, 23 organisations were deemed to have reported accurately regarding their total organisational costs, and 17 organisations were deemed to be large enough to have higher probabilities of having reported accurately on their financial data. Only nine of these 53 organisations (17 percent) were able to fulfil at least two out of three of these conditions. This number of organisations was clearly insufficient for the purposes of conducting further meaningful analysis that would have relied on accurate reported financial data. The researcher therefore deemed reported data to have been inaccurate on the whole, and an analysis and comparison of fundraising efficiency ratios was not carried out as a result. This analysis was consistent with Brooks' (2005), Hager's (2003) and Rooney's (2003) studies, that revealed widespread miscalculation of fundraising expenditures. This would have been as a result of organisations' lack of engagement with issues surrounding fundraising management, in particular the monitoring and evaluation of fundraising effectiveness and efficiency measures.

One of the objectives of this research was to rank organisations according to measures relating to fundraising efficiency and effectiveness. This was not possible due to the unreliable reported data provided by organisations. However, the unreliable data becomes an important finding of the study in its own right. It revealed that many organisations were not engaging with financial analysis tools that would have allowed them to have assessed their organisational and fundraising efficiencies. It is also apparent that there was no commonly-used definition of fundraising revenue, despite a definition having been specified by the researcher in the questionnaire.

#### **4.3.2 Analysis of remaining financial data**

Data that could be extracted purely from audited financial statements was used for further analysis in relation to data obtained from the questionnaires. Trends that emerged from this financial data shall be presented in the following sub-sections, and then discussed in relation to findings from the questionnaire. A description of the items that were extracted from organisations' 2007/2008 audited statements appears in table 4-5.

**Table 4-5: Summary of items extracted from organisations' audited financial statements**

Item	Description
Fundraising revenue (FR)	Revenue that was deemed by the researcher to have been obtained from sources defined in this study as fundraising sources. FR therefore consists of revenue derived from companies, individuals (including bequests), groups, religious organisations, trusts, foundations, fees, memberships, capital ventures, special events and the provision of private services. FR does not include funds received from returns on investments, government sources or funding intermediaries.
Total government funding	Revenue that was derived from all three levels of government, whether through subsidies, project grants or special grants. Government funding does not include revenue derived through entering into government contracts to provide services to the public sector – this income would be classified as FR derived from providing services for a fee.
Subsidies	Revenue derived from provincial departments of the national Department of Social Development as subsidies for social worker and other direct service staff salaries.
Donations	Revenue specified as <i>donations</i> in financial statements. Revenue specified as such indicates revenue received from individuals and small groups and businesses, and would generally be unsolicited. Donations include bequests. Some organisations take active steps to encourage bequest donations, but due to the personal nature of the transaction bequests have been included in donation revenue.
Total revenue (TR)	All revenue derived from fundraising and non-fundraising sources during the 2007/2008 financial year.
Total expenditure (total cost, or TC)	All organisational spending transacted during the 2008/2009 financial year.
Current assets	Rand value of liquid assets and/or assets that can be easily liquidated at the close of an organisation's financial year.
Current liabilities	Liabilities that are required to be settled within the following financial year, as of the close of an organisation's financial year.
Total assets	Sum of fixed and current assets.

#### **4.3.2.1 Statistical summary of financial data**

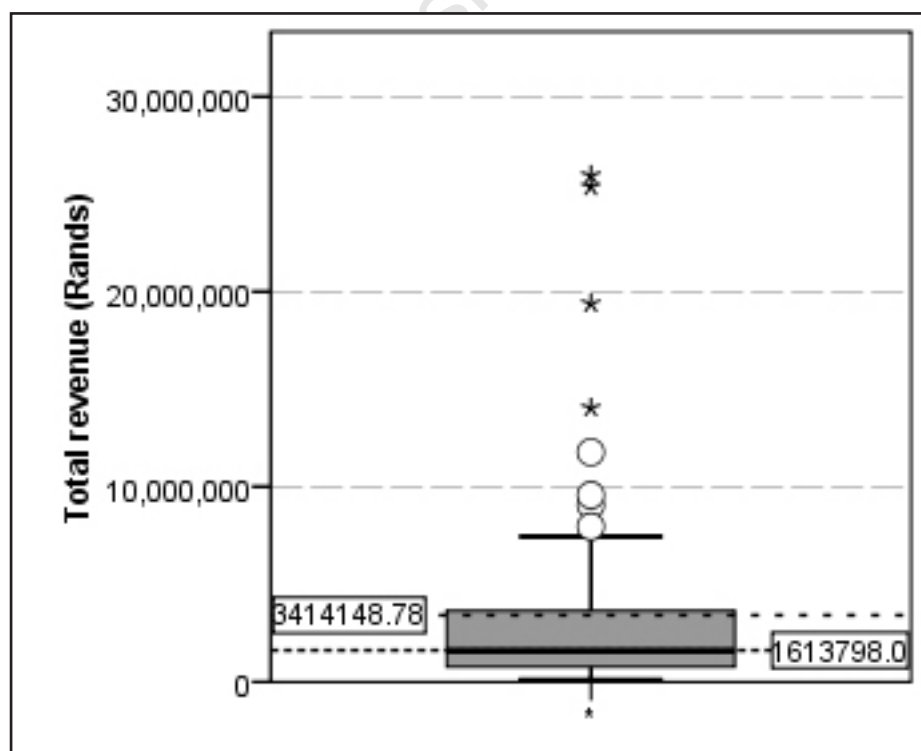
A summary of the central tendencies of items extracted from audited financial statements appears in table 4-6. Without exception, median values were significantly lower than mean values, suggesting a trend of bottom-heavy data. Standard deviations were also without exception higher than mean values – sometimes over double the value of their respective mean values – which shows a large spread of data. Most values for each variable were concentrated below the mean and data was spread widely between the 50<sup>th</sup> to 100<sup>th</sup> percentile stretching out to many times the value of the mean. This indicates that a relatively small number of organisations transacted larger amounts of funding while the majority of organisations dealt with smaller amounts.

**Table 4-6: Summary of central tendencies of financial variables**

Item	Mean	Median	Std dev
	All figures in Rands		
Fundraising revenue (FR)	1,067,412	280,863	2,237,476
Total government funding	1,648,710	850,134	2,391,119
Subsidies	1,422,423	847,324	1,808,261
Donations	362,242	67,517	1,300,994
Total revenue (TR)	3,337,236	1,493,698	5,103,989
Total cost	3,222,135	1,389,925	4,786,574
Current assets	970,149	612,072	1,168,131
Current liabilities	541,648	117,114	835,694
Total assets	3,343,525	1,559,553	6,820,853

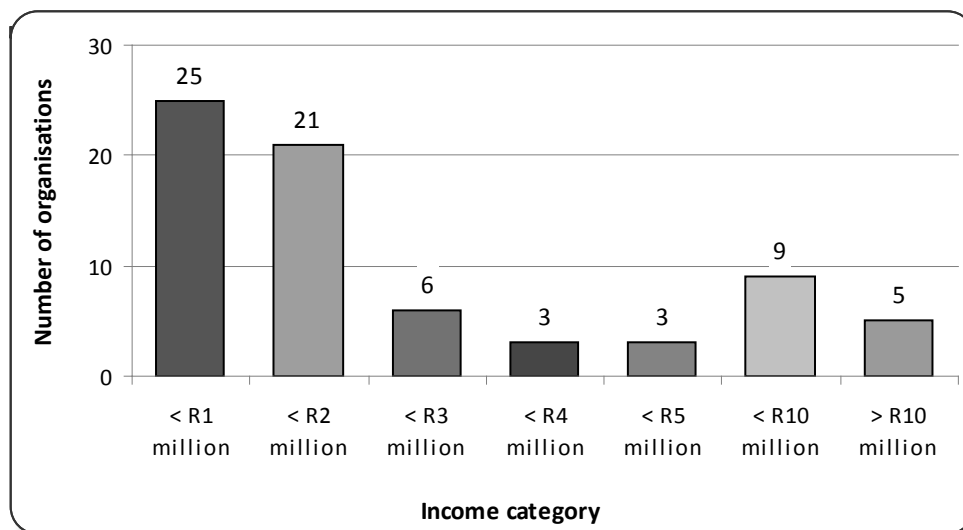
#### 4.3.2.2 Total revenue (TR)

All of the 72 audited financial statements that the researcher received from respondent organisations contained statements of total income and expenditure. These 72 organisations collectively received R 240 280 972 in total revenue, with a mean TR of R 3,337,236 per organisation. This was more than double the median TR value of R 1,493,689. A look at the spread of TR across organisations (graph 4-17) revealed that values between the 25<sup>th</sup> and 75<sup>th</sup> percentile ranges fell between R 750,014 and R 3,185,120. The 75th percentile figure was thus lower than the mean, indicating that the largest 25 percent of TR values skewed the mean TR significantly upwards. Nine outlying values were identified.

**Graph 4-17: Spread of total revenue**

The bottom-heavy spread of income is illustrated again in graph 4-18, where it can be seen that 46 organisations (almost two thirds) received total revenue that was less than R 2 million for the 2007/2008 financial year.

**Graph 4-18: Frequency of total revenue**



Mean TR differed greatly between provinces. Organisations within the Northern Cape, KwaZulu-Natal and Gauteng enjoyed the largest mean total revenues of above R 4 million in each province, while mean TR values were lowest in the Free State and North West, and were close to R 1 million. Mean TR also differed greatly between fields of service. Organisations operating within the field of the physically challenged enjoyed a far higher mean total revenue than did organisations operating within other fields of service, with a mean TR of R 5,668,450. At the other end of the spectrum lay organisations that provided service for the aged, with a mean total revenue of only R 916,282 within this sector. It is important to note that organisations for aged that participated in this study did not include residential facilities, which would have shown far higher total revenue figures due to their higher running costs. A very significant, but expected, finding was that mean TR differed dramatically between organisations based in rural or urban locations. Urban organisations enjoyed a mean total revenue of R 4,467,951, almost double the corresponding figure for rural organisations of R 2,300,128.

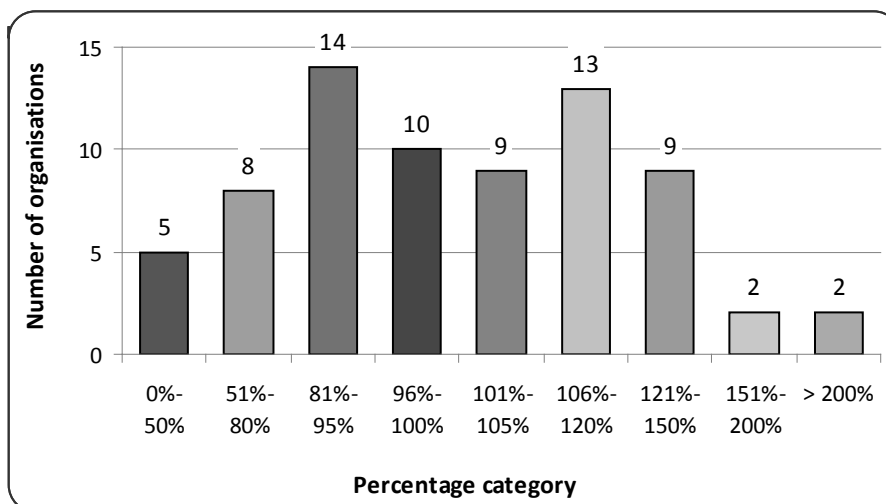
#### **4.3.2.3 Total expenditure (Total cost, TC)**

Total organisational spending (total cost, or TC) amongst organisations was R 231,993,689, only R 8.3 million less than organisations' total combined revenue. Participating organisations had a collective surplus of 3.4 percent of their total revenue, but only 37 (51 percent) of the 72 organisations actually raised more funds than they spent. It is not necessarily dangerous for organisations to have spent more than they had generated, depending on their financial reserves. What is more important is the *degree* to which organisations over- or under-spent their funds. Significant under-spending is an unacceptable practice within the welfare nonprofit sector, as it indicates that organisations did not provide the number and/or quality of social services that they had the financial capacity to provide. Graph 4-19 shows the percentage of total revenue that organisations spent during the 2007/2008 financial year. Nineteen



organisations (26.4 percent) spent within five percent over or above their total income, which is a reasonable degree of leeway to give for accurate expenditure. An additional 37.5 percent of organisations spent between 80 percent and 120 percent of their total income. Nine organisations (12.5 percent) spent over 50 percent more or less than they received as income.

**Graph 4-19: Percentage over- or under-spending of organisations**



There are several reasons why organisations' spending patterns may not have matched their income patterns. One reason for an apparent under-spending of funds may be that donors had provided advance donations towards the end of the 2007/2008 financial year, that would have only been spent during the following financial year. Organisations may also have been building reserve funds so that they would be able to operate in cases of delayed or cancelled funding from donors. This would account for apparent under-spending without meaning that these organisations had not provided the number and quality of services that they were supposed to have provided. The reverse might hold true for organisations that appeared to have over-spent during the financial year. Income may have been received during the previous financial year, and only spent during 2007/2008.

However, in cases of both under- and over-spending, one must take into account that if organisations had received funding either before or after the financial years during which these funds were spent, this trend would likely have persisted into the following financial year. Thus, organisations that had received funding during the previous financial year to spend during the 2007/2008 financial year would then have needed to have secured funding during 2007/2008 for use during the 2008/2009 financial year. Assuming that an organisation's operational spending patterns had not changed significantly, the latter funding would effectively cancel out the apparent deficit for the financial year. Large under- or over-spending could therefore in most cases be seen as either fundraising problems (in the case of over-spending) or service delivery problems (in the case of under-spending). Both problems would be rooted completely in organisational planning and management.

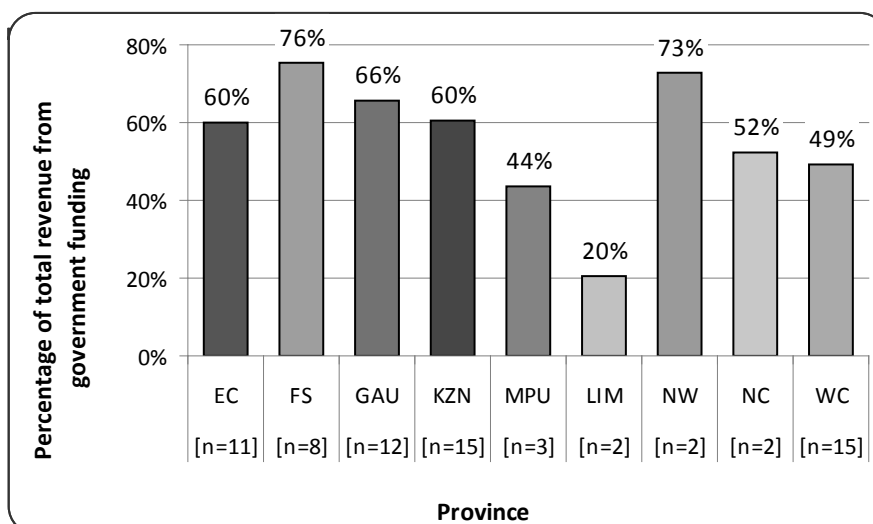
#### 4.3.2.4 Fundraising revenue (FR)

The mean amount of revenue that organisations received from fundraising sources (as per the researcher's calculations from financial statements) was R 1,067,412, which was almost four times the median FR value of R 280 863. This indicates that the results were skewed significantly by organisations that generated significant amounts of fundraising income. Half of organisations generated between R 5,940 and R 280,863 from fundraising sources during the 2007/2008 financial year, while the other half generated between R 280,863 and R 16,211,301 from fundraising sources during this period. The 4<sup>th</sup> quartile accounted for by far the largest spread of data, with values ranging between R 1,796,400 and R 16,211,301 in this quartile, with five outlying values and two extreme outlying values occurring. The pattern of the spread of FR was similar to that of TR, although FR data was more concentrated towards the lower values. A Pearson correlation test between FR and TR revealed a correlation of 0.879 (n=70), which is a strong correlation that is significant at the 0.01 level. This indicates that fundraising revenue generally increased proportionate to total revenue, and relates to the fundraising dependency ratios discussed in the following section.

#### 4.3.2.5 Government funding and subsidies

Unsurprisingly, the largest percentage of organisations' total revenue came from government sources, particularly in the form of subsidies from provincial departments of Social Development. A mean percentage of 59 percent of total funds were received from government sources across all organisations. This represented a mean amount of R 1,648,710 that each organisation received from government sources. Graph 4-20 shows the differences between provincial mean percentages of government funding to total income. Organisations within the Free State received the highest mean percentage of government funding per organisation, with just over 75 percent of organisational income being derived from state bodies. Organisations operating in Limpopo province received a mere 20.4 percent of their income from the state. These figures represent combined state funding, which may have been derived from any of the three tiers of government. Any differences across provinces cannot therefore be attributed solely to provincial funding mechanisms,

**Graph 4-20: Mean percentage of government funding to total income, by province**



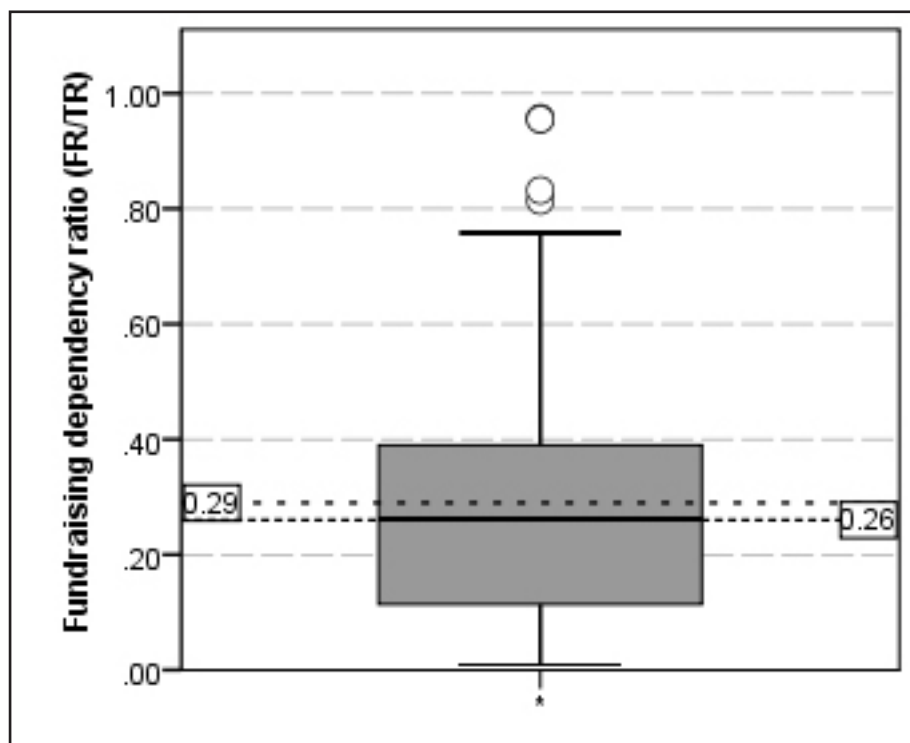
Large differences in mean percentages of state funding to total income were also evident across fields of service. Organisations serving the needs of the aged received the highest percentage of funding from the state, at over 80 percent. At the other end of the spectrum, organisations working within the field of the physically challenged received only 32.2 percent of their mean total income from government sources. The remaining fields of service averaged between 52 percent and 69 percent of their total revenue from government sources. A smaller difference in mean government funding percentages occurred between organisations that operated from urban locations and those that operated from rural locations. Urban organisations received just over seven percent more funding from the state (with a mean of 62 percent) than did their rural counterparts. This figure is not particularly large, but it is rather worrying in light of the state's apparent commitment to channelling funding into areas outside of major urban centres.

When provincial government *subsidies* were viewed as mean percentages of total funding, an identical pattern is evident across provinces. The mean amount of funding that organisations received as provincial government subsidies was R 1,422,422, or 56 percent of total income. This meant that organisations received an average of 92.2 percent of their state-derived income in the form of provincial government subsidies for social service provider staff. This percentage was as high as 100 percent in some provinces, and only as low as 86.3 percent in Guateng. A Pearson correlation test between mean government funding across provinces and mean provincial government subsidies across provinces yielded a correlation coefficient of 0.977 ( $n=7$ ). This indicates that there was an almost perfect relationship between the two variables. Provincial differences were thus consistent with those for mean government funding across provinces. The differences between provinces cannot be explained by differences in sizes of organisations or differences in fields of service across provinces, nor were they consistent with mean provincial percentages of social service provider staff of total organisational staff. This indicates that there were large inconsistencies between funding policies and distribution from provincial departments of Social Development when it came to providing subsidies for social service provider staff, which resulted in organisations receiving vastly different percentages of total funding as provincial government subsidies between provinces.

#### **4.3.2.6 Fundraising dependency**

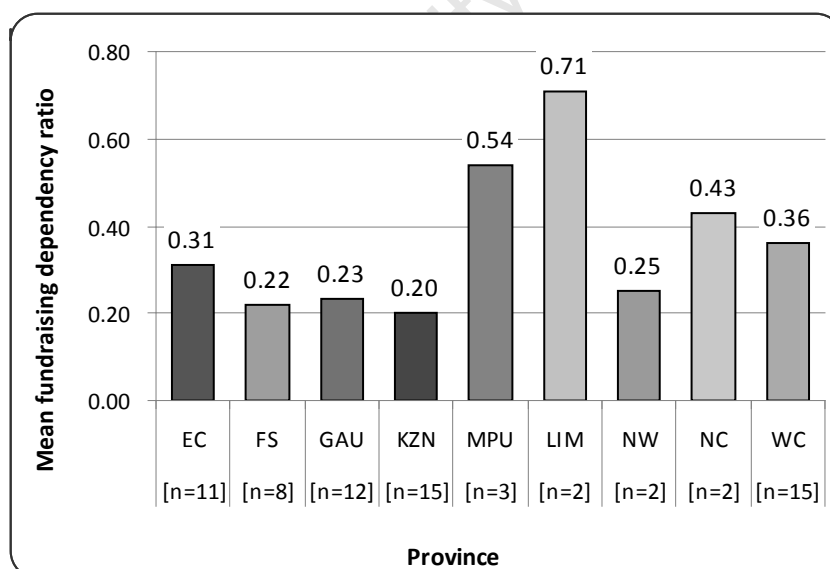
As discussed earlier, fundraising dependency refers to the proportion of revenue that organisations must obtain through fundraising sources in order to meet their operating expenses. Organisations that had lower fundraising dependency ratios would not have had to place as much attention on fundraising as would organisations that had high fundraising dependency ratios. Caution must be taken in interpreting these results, as the issues discussed in section 3.5.3 are pertinent here. It was found that the mean fundraising dependency ratio amongst all organisations was 0.3, with a similar median value of 0.26. The lowest fundraising dependency ratio was 0.01 and the highest fundraising dependency ratio was 0.96. Three-quarters of organisations had fundraising dependency ratios of below 0.4. These findings show that there was a very wide spread of data that was relatively concentrated around the mean and median. The spread of fundraising dependency ratios is shown in graph 4-21.

**Graph 4-21: Spread of fundraising dependency ratios**



Mean fundraising dependency ratios differed across provinces, with organisations in Limpopo having shown a high mean ratio of 0.71, while the lowest mean provincial fundraising dependency ratio, 0.2, occurred within KwaZulu-Natal. Fundraising dependency ratios are shown across provinces in graph 4-22.

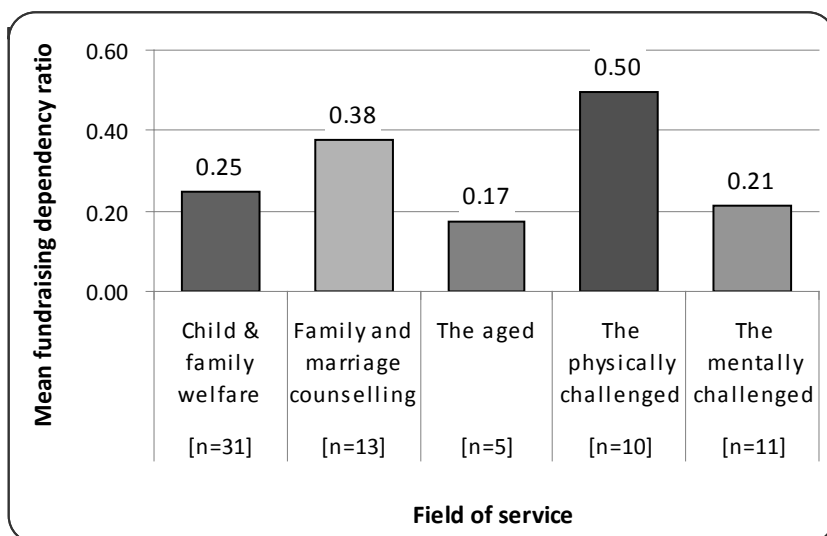
**Graph 4-22: Mean fundraising dependency ratios across provinces**



Mean fundraising dependency ratios were also considerably different across fields of service. Organisations within the field of the physically challenged had a relatively high mean fundraising dependency ratio of just below 0.5, while organisations catering for the needs of the aged had a much lower ratio of 0.17. The ratio differences across provinces are shown in graph 4-23. Organisations' locations were also linked to differences in fundraising dependency ratios. Rural organisations were

generally more dependent on fundraising-related revenue than were urban organisations. The mean ratios for these categories of organisation were 0.35 and 0.25 respectively.

**Graph 4-23: Mean fundraising dependency ratios across fields of service**



By far the most significant influence on fundraising dependency was the proportion of total funding that organisations received from the state. Organisations that received proportionately larger amounts of funding from government sources had lower fundraising dependency ratios than those organisations that received proportionately less funding from the state. A Pearson correlation test between the two variables revealed a very strong correlation of -0.84 ( $n=70$ ). This means that organisations with higher fundraising dependency ratios would generally have to be more competent at fundraising than their counterparts with lower fundraising dependency ratios. However, organisations with low dependency ratios would have been more likely to have had fewer sources of funding, and would have been more vulnerable to changes in state funding policies. These findings should be contextualised within Zappala and Lyons's (2006) study, in which it was suggested that high fundraising dependency was not necessarily a negative attribute for an organisation to have, as high fundraising dependency could result in more diverse income, and hence superior financial security. However, increased fundraising dependency would require organisations to ensure that their fundraising abilities and competencies were more advanced and comprehensive.

#### **4.3.2.7 Donations**

Of the revenue generated through fundraising activities, just over one third was obtained from donations from the general public. Organisations received a mean amount of R 362,242 of funding that had been generated from donations, which was 34 percent of mean fundraising revenue. This was far higher than what the researcher would have thought, and indicates either that organisations were highly proficient in generating unconditional revenue through donations or that their total revenues were sufficiently low to have allowed them to operate on such a high proportion of (usually) relatively small donations. It must be noted that donations may included bequests, which would generally have helped to push the figure for mean donations up quite considerably. With the exception of one organisation that received

R 10,146,420 through donations, all other organisations received donation amounts of less than R 2.5 million. Only three of these organisations received donations greater than R 1 million. A significantly bottom-heavy pattern was again evident, with half of organisations receiving total donation revenues of below R 70,000.

#### **4.3.2.8 Current assets and liabilities, and the defensive ratio**

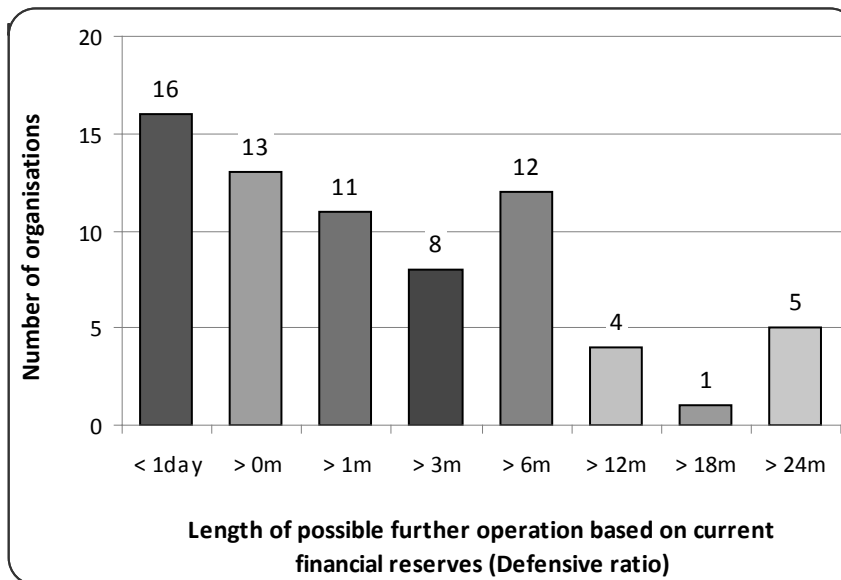
Current assets and current liabilities can give an indication of an organisation's financial health in terms of its ability to pay for its operations into the future. As discussed in section 3.5.4, a useful tool that can be used to ascertain organisational financial health is the defensive ratio, which indicates the length of time in days that an organisation would be able to pay for its operations based on current assets and liabilities and its most recent annual expenditure. The defensive ratio only represents a moment in time, however, and may not be a true reflection of organisational financial health. It may be that an organisation receives a large donation or grant shortly after its financial year-end. The defensive ratio for the year-end would therefore not capture the improved financial standing of the organisation.

The mean value of current assets for organisations was R 970,149.00, with the median being R 612,071.92 (n=71). The standard deviation was R 1,168,131.10, which indicates that there was again a rather wide spread of data. The mean current liabilities for organisations was R 541,647.70, the median was R 117,114.00, and the standard deviation was R 835,693.52 (n=71). This indicates that there was also a rather wide spread of current liabilities as well. However, the large differences in organisational sizes means that these values are meaningless without being evaluated in the context of the finance required to pay for operating expenses. This is where the defensive ratio is necessary.

The mean defensive ratio for all organisations was 145.19 (n=70), indicating that their reserve funds would have been able to have allowed them to operate for an average of just under five months. It was found that 16 organisations (22.9 percent) did not have sufficient reserve funds to pay off their current (short-term) liabilities, which means that theoretically they would have been forced to close their doors soon after the financial year-end. These organisations were still operating at the time of conducting the survey, so they must have received emergency funding and/or been given leeway in paying off their short-term debts. Similarly high numbers of organisations were only able to fund their operations for one to three months based on their current assets. Over 57 percent of organisations were unable to last for more than three months if they were not to have received further funding. Ten organisations (14.29 percent) had sufficient reserve funds to enable more than a year of operation without further funding. These results are shown in graph 4-24



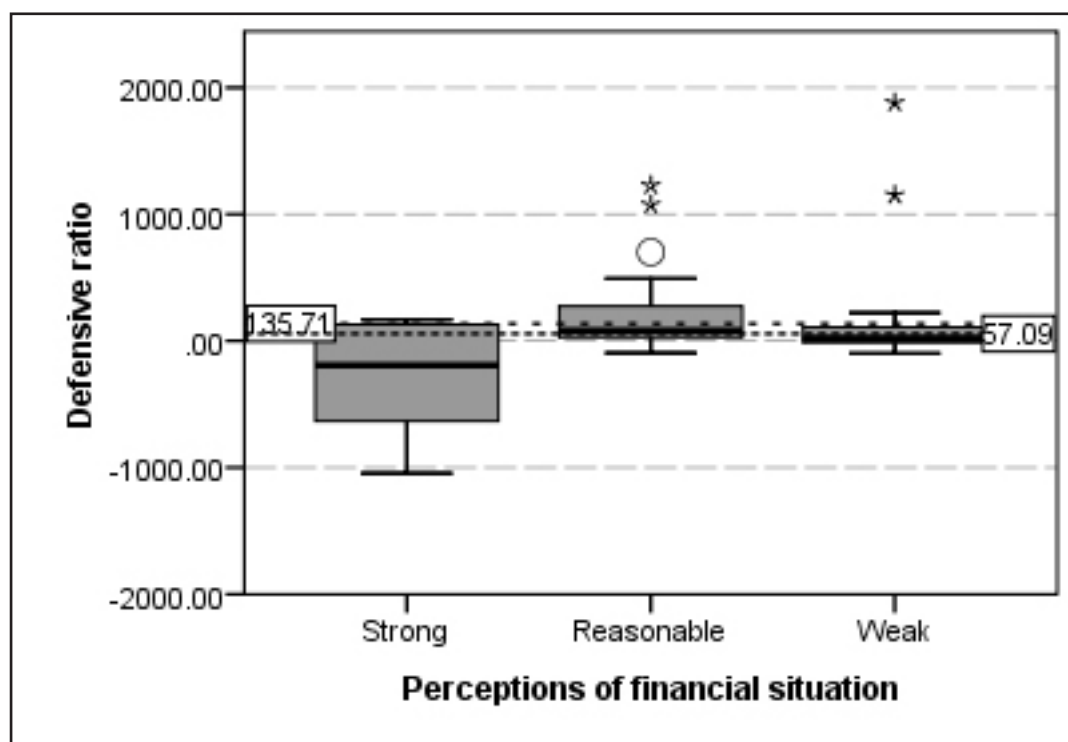
**Graph 4-24: Frequency of defensive ratio**



Despite the fact that these results merely reflected funding reserves at a single moment in time – and might not therefore have accurately represented the financial sustainability of surveyed organisations – it is still pertinent that over half of organisations would have been unable to operate for more than three months from the date of their financial year-ends if they had not received further funding within that time. These organisations (in particular those that did not have enough reserve funds to pay off their short-term debt) would have been in real danger of having to close down due to insufficient funding, which would immediately effect their client communities and populations. Donor funding can take many months to secure from the moment of application, and having so few reserve funds might not allow for enough time to work through donor funding cycles before funds have dried up.

A box and whisker plot (graph 4-25) illustrating the spread of defensive ratios for the three variables of perceived financial situation (as discussed in section 4.2.1) revealed that there was no apparent relationship between real and perceived financial position. In fact, respondents who perceived their organisations' financial situations to have been strong showed the highest percentage of defensive ratios that were less than 0.00. Two-thirds of respondents who perceived their organisations' financial positions to have been strong demonstrated negative defensive ratios, with the mean defensive ratio for organisations within this category having been -292.87 (n=9). The mean dependency ratios for the other categories of perceived financial positions were 191.39 (reasonable financial position n=45) and 225.81 (weak financial position, n=16). To further interrogate the relationship between real and perceived financial positions, a Spearman correlation test was conducted between the two variables. A correlation coefficient of 0.041 (n=69) was calculated, which indicates that there was indeed no relationship between real and perceived financial situations. The defensive ratios found in this research were similar to those calculated by Lotvenen (2005) and Adams (2006), in which many organisations were shown to have had little to no financial reserves, while some organisations had large amounts of reserve funding.

**Graph 4-25: Spread of defensive ratio, by perceived financial position**



### 4.3.3 National bodies

The reported financial data of the seven national bodies that completed questionnaires were also subjected to screenings for data accuracy using the same process that was used to test for reported data accuracy of SSOs. Of the seven national bodies, five submitted their audited financial statements to the researcher. The remaining two national bodies had not yet had their financial statements audited, over six months after they were required to have them completed in terms of the Nonprofit Organisations Act (No. 71 of 1997). Four national bodies did not fill in the reported financial data section of the questionnaire. This left only three national bodies that were able to meet the first two compulsory criteria of the screening for accuracy, i.e. that they had submitted their audited financial statements and that they had reported their relevant financial data in the questionnaire.

When assessed for accuracy of reported total expenditure (by calculating the combined reported administrative and service expenditure for each national body and comparing these figures to the total expenditure value found in the audited financial statement) the three national bodies showed mixed results. One national body demonstrated an almost-perfect total cost accuracy ratio that tended to 1.00 and could thus be considered to be accurately reported by the respondent. Another national body's ratio was 0.61, which was quite significantly inaccurate. The third national body's ratio was a grossly inaccurate 3.34, indicating that its reported total costs were over three times its actual total costs.

Fundraising revenue accuracy ratios also deviated significantly from perfectly reported figures, with ratios of 0.31, 0.61 and 1.22 having been recorded from reported and extracted data. None of these ratios fell within 20 percent of a perfectly accurate figure. Only one national body received an annual income of over R 4 million, thus being the only organisation to fulfil the third criterion for data accuracy.

This was the same national body that had perfectly reported its organisational expenditure, and was the only national body that could be considered to have provided accurate reported financial data.

Due to the poor accuracy of reported financial data provided by participating national bodies, the remaining data gathered from their questionnaires and from their audited financial statements were not analysed further. The amount of important data from participating SSOs that needed to be presented and discussed in this report did not allow for enough space for a detailed analysis of participating national bodies' data. For this reason the results from national bodies shall not be presented further in this report.

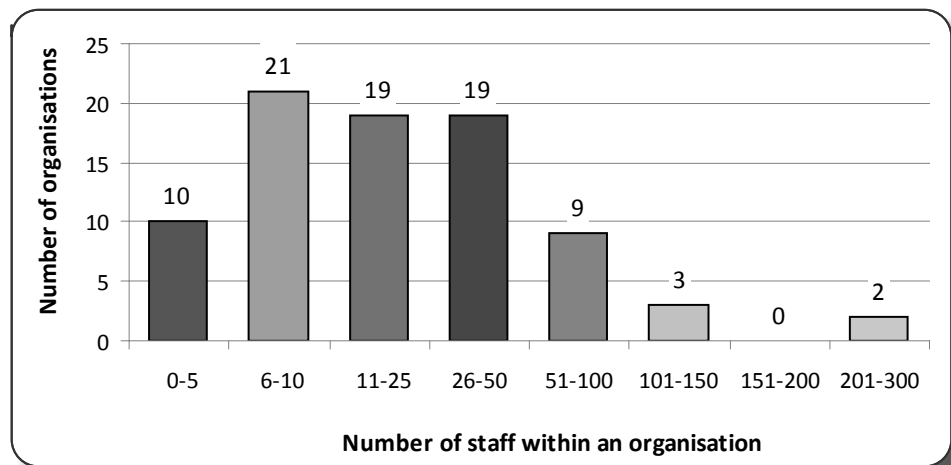
### 4.4 Staffing

Organisations were asked about their staff compositions, with attention being paid to the presence and numbers of direct social service staff and fundraising staff. The findings from this section of the questionnaire are discussed in this section, and are analysed in the context of other data already presented where possible.

#### 4.4.1 Total staff

Total numbers of staff can provide a useful measure of the size of organisations. The mean number of total staff employed by respondents' organisations was 32, with a median of 16 staff members. This means that 50 percent employed 16 or fewer staff members. The organisations that participated in the survey spanned across a large variety of organisational sizes. The smallest number of staff within an organisation was three, while 267 staff were employed in the organisation with the largest staff component. The spread of data was quite significant, with a standard deviation of 43. Graph 4-26 illustrates the frequency of organisation that employed particular ranges of numbers of staff members. It was found that by far the majority of organisations employed between six and fifty staff members. Only two organisations employed over 200 members of staff.

Graph 4-26: Distribution of the number of staff employed within organisations



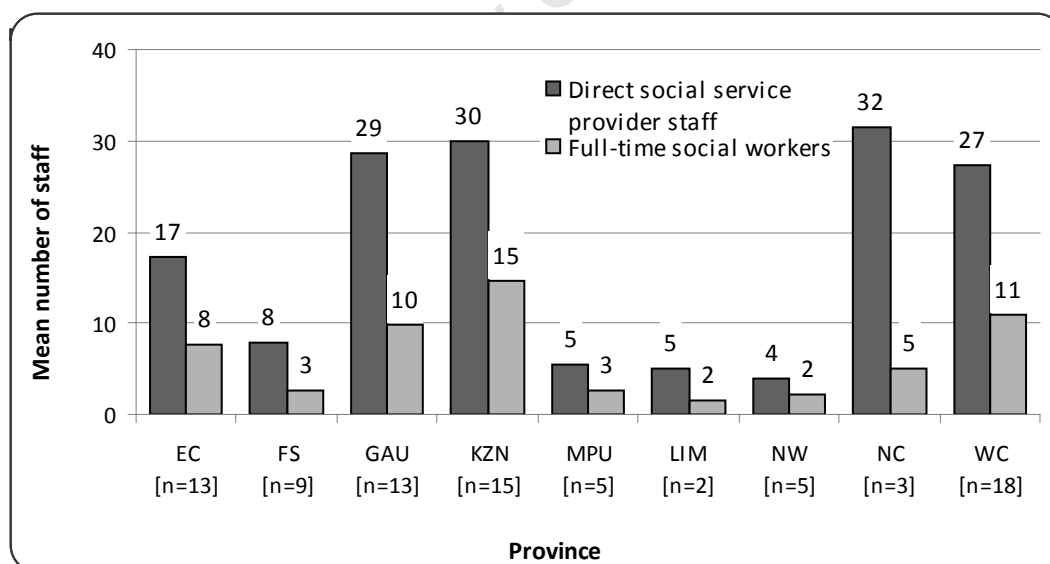
While provincial and field of service differences in total staff numbers were present, the most significant difference between organisations lay between those based urban and rural locations. Urban organisations enjoyed a mean staff component of 48, while rural organisations employed an average of 20 staff members - a difference of almost 250 percent. These figures also echo the findings for mean TR between location types.

#### 4.4.2 Direct service staff and social workers

Of the total of 2693 staff employed by surveyed organisations, 1714 (64 percent) were direct social service providers, and 701 (26 percent of total staff and 40 percent of direct social service staff) were social workers. The mean number of direct social service provider staff per organisations was 21 and the mean number of social workers per organisation was nine.

Mean numbers of direct social service staff and social workers differed greatly between provinces. Organisations within the Northern Cape, KwaZulu-Natal, Gauteng and the Western Cape all recorded average direct social service staff numbers of between 32 and 27. Organisations within the Free State, Mpumalanga, Limpopo and the North West only reported an average of between eight and four direct social service staff. The trends were proportionately similar when looking at the average provincial numbers of social workers, with only the Northern Cape organisations demonstrating a major difference – there appeared to be proportionately fewer social workers on average than was the case within other provinces. These results are illustrated in graph 4-27.

**Graph 4-27: Mean numbers of direct social service provider staff and social workers**



Mean numbers of direct social service staff and social workers differed slightly across fields of service, with organisations from the field of child and family welfare employing the highest average of 24 direct social service staff members, and organisations from the field of the aged employing the lowest average of 15 direct social service staff members. Average social worker employment differed more significantly. The field of child and family welfare employed the highest average of 13 social workers per organisation, and the field of the physically handicapped employed an average of just two social

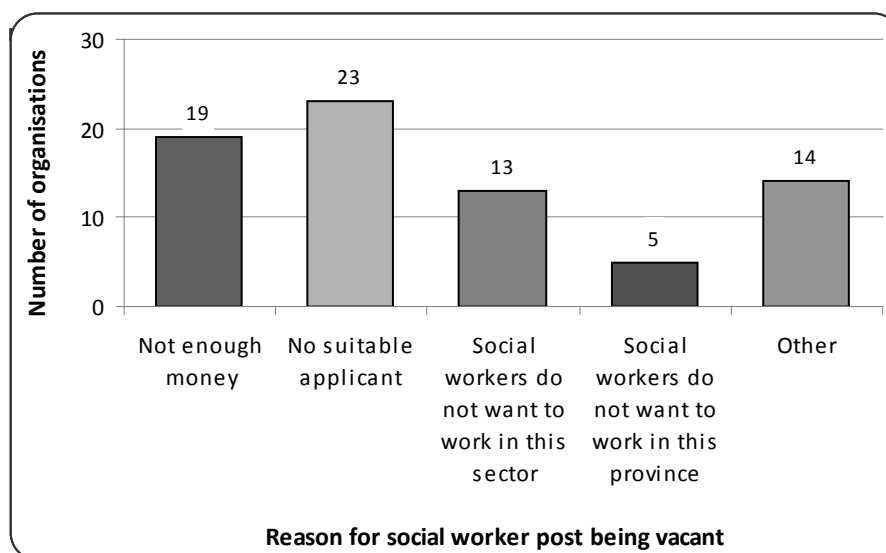
workers per organisation. The trend of rural organisations to employ fewer staff members on average was repeated proportionately for the employment of direct social service staff and social workers. Table 4-7 summarises the mean numbers and percentages of direct social service staff and social workers that operated within rural and urban areas. The data revealed that rural SSOs employed as much as 77 percent fewer social workers on average than did urban organisations, and 66 percent fewer direct social service staff. Rural organisations also employed fewer direct social service staff and social workers than did urban organisations, both in mean real terms and proportionate to their total staff contingents.

**Table 4-7: Mean numbers and percentages of direct social service staff and social workers that operate within rural and urban areas**

	Urban SSOs		Rural SSOs		
	Mean number of staff	Mean percentage of total staff	Mean number of staff	Mean percentage of total staff	Percentage of urban mean value
Total staff	48	100%	20	100%	42%
Direct social service staff	33	70%	11	57%	34%
Social workers	15	31%	3	17%	23%

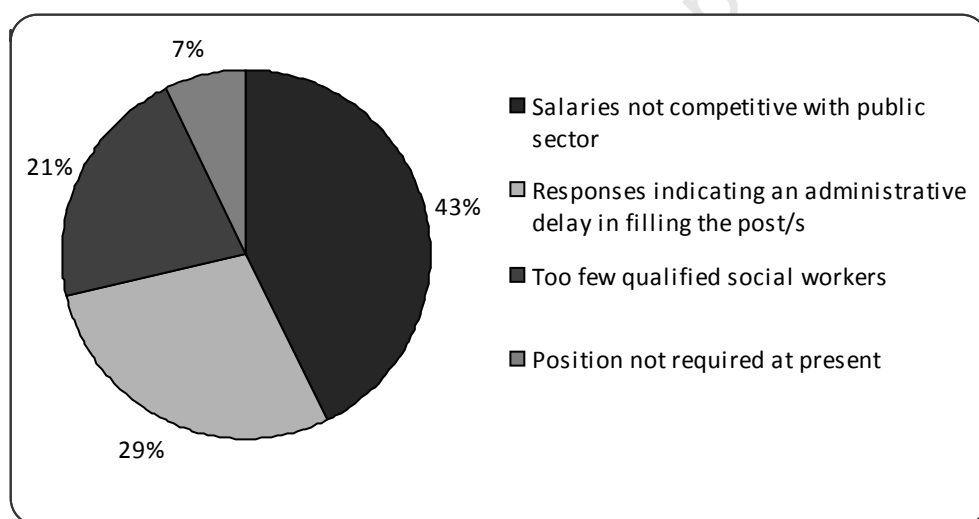
Fifty-three organisations (60 percent) reported that they had had vacant social worker posts at the time of the survey, and responses revealed that a total of 153 vacant social worker posts existed. This means that an average of just over one and a half social worker posts were vacant in each of the 88 SSOs that participated in the survey. Of the organisations that had vacant posts, the average number was over 2.5 posts per organisation. This represents a mean 28 percent loss in social worker productivity amongst these organisations. Organisations that employed fewer social workers would have been harder hit by vacancies, as even the loss of one social worker would have severe consequences for organisations employing only several social workers. The largest number of vacant social worker posts within an organisation was 11. Organisations were asked to identify reasons why they had social worker posts that were vacant. The most common reason, with 23 responses, was that there were no suitable applicants for the posts. Nineteen respondents reported that they did not have enough money to fill the post/s, while thirteen and five respondents indicated that social workers did not want to work in their particular fields of service and provinces respectively. Fourteen organisations indicated that there were other reasons for the posts being vacant. These results are illustrated in graph 4-28.

**Graph 4-28: Reasons for social worker posts being vacant**



Other reasons that were offered to explain vacant posts were that the public sector offered better salaries, administrative delays had resulted in the posts remaining unfilled, the demand for social workers exceeded the supply, and that the post was not required at the time (Graph 4-29).

**Graph 4-29: Other reasons offered for social worker posts being vacant**



#### 4.4.3 Fundraising staff

Of the 83 organisations that answered the question of whether or not they employed fundraising staff (either full-time or part-time), 21 organisations (25 percent) responded that they employed fundraising staff, with the remaining 62 organisations (75 percent) relying on other staff members and volunteers to raise their funds. Organisational size was a major factor in determining whether or not organisations employed fundraising staff. A clear pattern could be seen, in that the more staff an organisation employed, the more likely it was to employ full-time fundraisers. An exception was found in one of the two largest organisations that employed more than 200 staff. This organisation was a provincial office of a national body. Its fundraising was conducted by the organisation's director, volunteers and

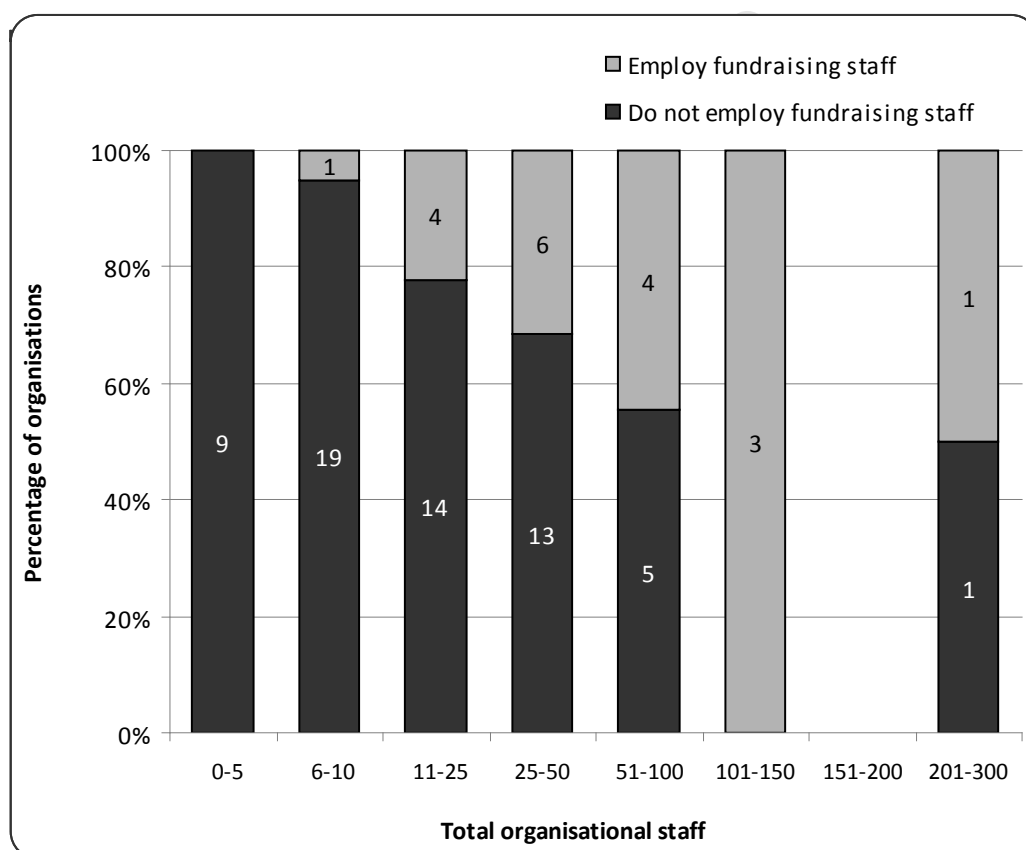


other staff from within the organisation. Organisations' total staff numbers are presented in relation to whether or not they employed fundraising staff in table 4-8. A Chi-square test was performed to measure whether there was in fact a real relationship between organisational size and the employment of fundraisers. It was found that a relationship existed which was significant at the 0.01 level ( $n=80$ ,  $df=6$ ). Graph 4-30 illustrates the trend towards higher proportional employment of fundraising staff in larger organisations.

**Table 4-8: Incidence of fundraising staff employment in relation to organisational size by staff numbers**

		Total staff employed by organisation						
		0-5	6-10	11-25	26-50	51-100	101-200	200-300
Employ fundraiser	Yes	0	1	4	6	4	3	1
	No	9	19	14	13	5	0	1

**Graph 4-30: Proportional incidence of fundraising staff employment in relation to organisational size by staff numbers**



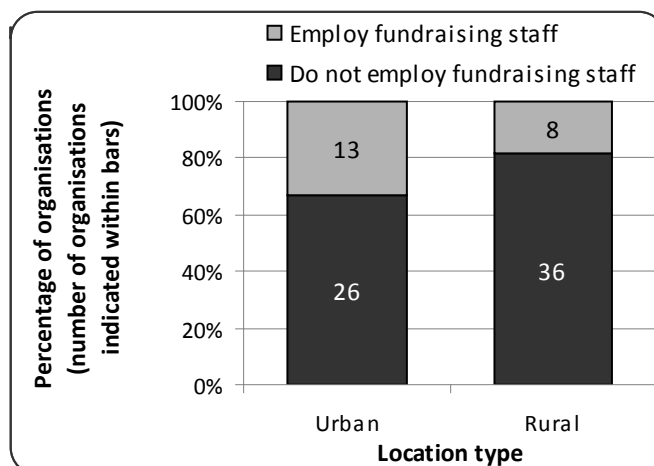
These findings do not necessarily indicate that organisations that employed fundraising staff were more financially secure than those organisations that did not employ fundraising staff, but they do indicate that increases in organisational size necessitate more attention to be paid to the human resource factor of fundraising. By an organisation employing dedicated fundraising staff, other staff members would be able to spend more time on their specialised tasks and fundraisers would (hopefully) bring specialised

fundraising skills and knowledge into the organisation. The relationship between fundraising staff employment and organisational size is self-explanatory in that there is an observable association between fundraising staff employment and amounts of revenue received by organisations, even if these organisations had not been completely successful in obtaining all of their required revenue. The argument of not wanting to spend extra scarce resources on non-core activities (in this case expenditure on fundraising staff salaries) because of financial shortages is therefore flawed. Organisations that are struggling financially and are not employing dedicated fundraising staff would more likely continue to experience funding shortages *because* of not investing in fundraising personnel rather than get into financial difficulty as a result of making such an investment.

Of the 20 organisations that employed fundraisers, 15 employed at least one fundraiser in a full-time capacity. Seven of these organisations employed one full-time fundraiser and seven organisations employed two full-time fundraisers. Of the nine respondents who indicated that their organisations employed part-time fundraisers, the data relating to total work hours of part-time fundraising staff was often incomplete and inconsistent, and the researcher felt that it was not suitable for further analysis. All further analysis of trends relating to the employment of fundraising staff is therefore based only on data concerning full-time fundraising staff. Only three organisations employed only part-time fundraising staff, which did not represent a large loss of data.

While there were some notable differences between provincial and field of service employment of fundraising staff, (Gauteng, KwaZulu-Natal and the North-West showed the highest proportional incidences of fundraiser employment, with at least one-third of all organisations from each province employing fundraising staff, and organisations providing services for the physically disabled showed the highest fundraiser employment rate of 42 percent ) a more meaningful difference in fundraising staff employment rates was found between organisations operating in urban and rural areas. Exactly one-third of urban organisations employed fundraising staff, while rural fundraiser employment rates were almost half that amount, at 18 percent, as shown in graph 4-31. These findings are significant in light of the results discussed in section 4.3.2.6 indicating that organisations based outside of major urban areas had higher fundraising dependency ratios than their urban counterparts.

**Graph 4-31: Employment of fundraising staff between rural/urban locations**



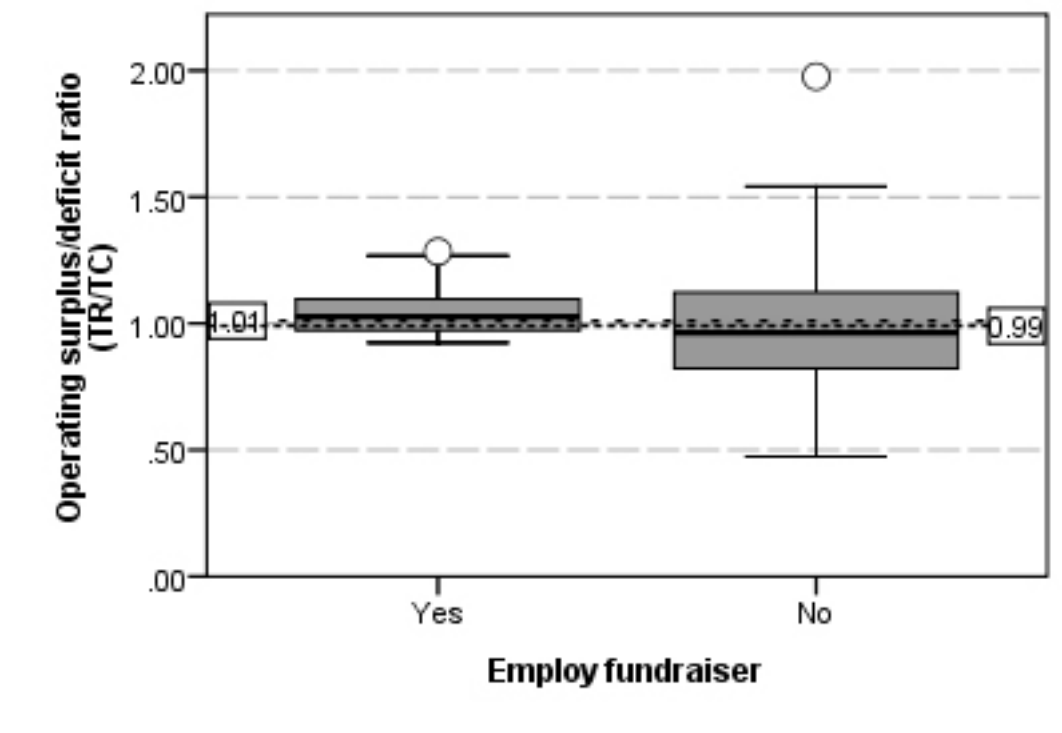
A Chi-square analysis was conducted to ascertain whether a relationship existed between organisations having employed fundraising staff and having been reportedly successful in obtaining their necessary funding for the 2007/2008 financial year. These two variables are tabulated in table 4-9. The existence of a relationship would indicate that organisations that employed fundraising staff were more financially secure than their counterparts that did not employ dedicated fundraising staff.

**Table 4-9: Relationship between employment of fundraising staff and fundraising success**

		Successful obtaining required finance 2007/2008?	
		Yes	No
Employ fundraiser	Yes	12	9
	No	35	26

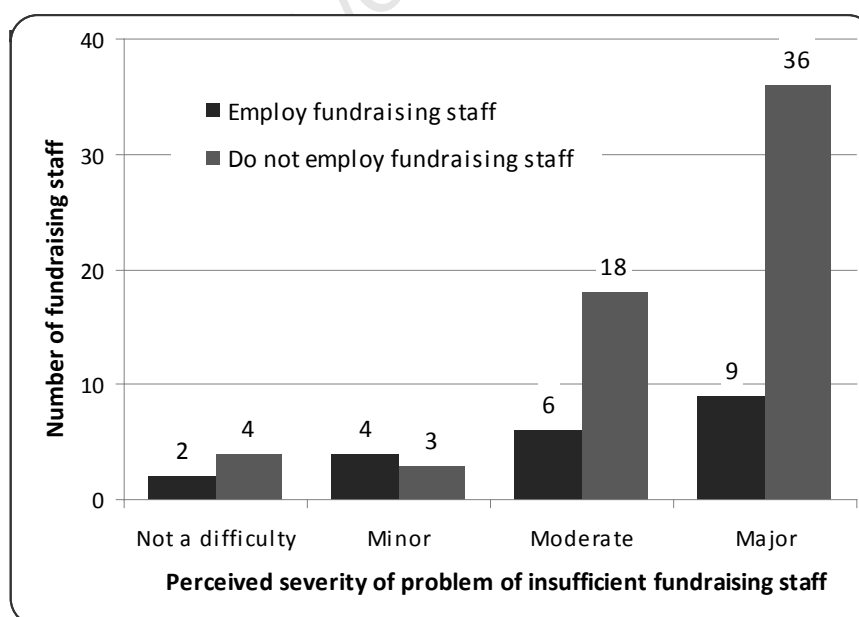
Surprisingly, there was no relationship between the two variables. A second Chi-square test revealed that there was also no apparent relationship between the existence of fundraising staff and organisational surpluses or deficits for the same financial year. These results required further interrogation, and the researcher therefore sought to determine if there was any pattern that would emerge out of the spread of organisations' total revenue to total cost ratios in terms of whether or not any fundraising staff were employed. Graph 4-32 illustrates the spread of these ratios in relation to whether or not they employed fundraising staff. It can be clearly seen that the spread of TR/TC ratios for organisations without fundraising staff was far broader than for organisations that employed fundraising staff. The median TR/TC ratio was above 1.00 for organisations that employed fundraising staff (indicating a median surplus), while organisations that did not employ fundraising staff had a median ratio that was below 1.00 (indicating a median deficit). Of the organisations that employed fundraising staff, the lowest recorded ratio was 0.92, which indicates that this particular organisation did not overspend by a proportion large enough to warrant any major concern over its financial well-being. The 25<sup>th</sup> and 75<sup>th</sup> percentile ratios for organisations that employed fundraising staff were 0.98 and 1.16 respectively, which also indicates that over- and under-spending amongst these organisations was manageable and fairly controlled. Only several of these organisations under-spent their income by any noteworthy margin, and even so these margins were small in comparison to the under-spending and over-spending that was observed for organisations that did not employ any fundraising staff. It was therefore apparent that organisations that employed dedicated fundraising staff were more accurate in their fundraising than other organisations.

**Graph 4-32: Relationship between employment of fundraising staff and year-end surplus/deficit**



Looking at the perceived severity of the problem of insufficient fundraising staff (as discussed in section 4.2.2), this time in relation to the actual employment of fundraising staff, no definite pattern emerged. A Chi-square test was performed to ascertain the relationship between the perceived severity of difficulty and actual employment of fundraising staff, which revealed that there was no observable relationship at the 0.05 level ( $n=82$ ). Graph 4-33 supports this result and shows how the distribution of these variables was proportionally inconsistent.

**Graph 4-33: Employment of fundraising staff in relation to perceived severity of problem of insufficient fundraising staff**



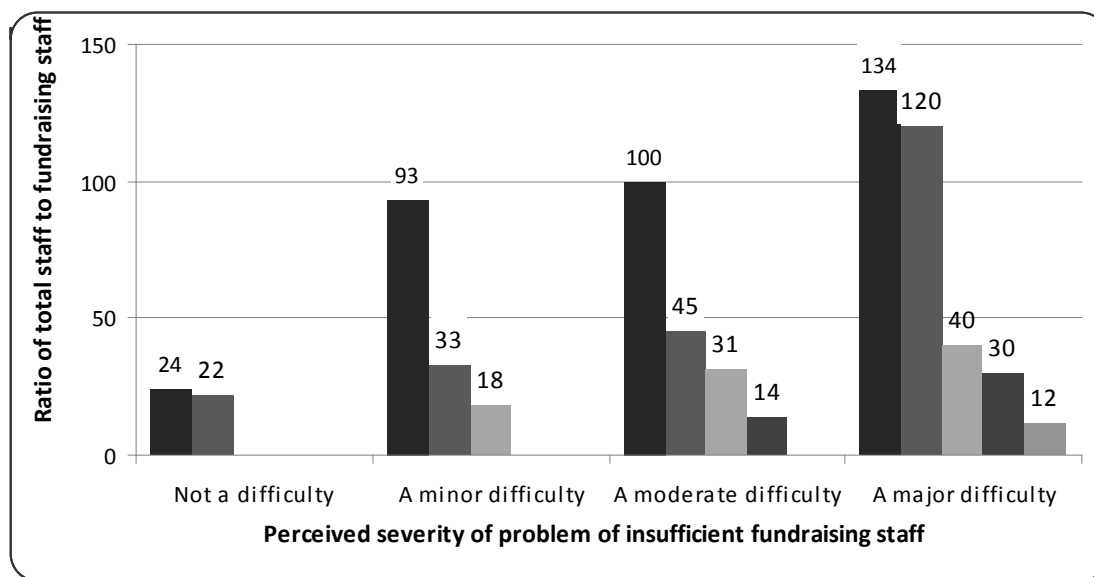
Organisations that employed fundraising staff were then analysed separately to find out if there was a relationship between numbers of full-time fundraisers employed and perceived severity of the problem of insufficient fundraising staff (table 4-10). A Spearman correlation coefficient of -0.243 (n=21), which was not significant at the 0.05 level, revealed that there was in fact no correlation between the two variables. However, this result must be treated with caution, as there were too few cases to allow for a comprehensive calculation for the purposes of finding a relationship between the variables.

**Table 4-10: Number of full-time fundraising staff in relation to perceived severity of problem of insufficient fundraising staff**

		Severity of difficulty of insufficient fundraising staff (only SSOs that employ fundraisers)			
		Not a difficulty	A minor difficulty	A moderate difficulty	A major difficulty
Number of full-time fundraising staff	0	0	2	1	3
	1	0	1	3	3
	2	1	2	1	3
	6	1	0	0	0

The researcher then sought to establish whether there was any relationship between the ratio of total staff to fundraising staff (i.e. how many staff members employed in an organisation for each full-time fundraiser employed in an organisation) and perceived severity of the problem of insufficient fundraising staff. Graph 4-34 illustrates how these ratios were distributed randomly across perceived severities of insufficient fundraising staff, and a Spearman correlation coefficient of 0.286 (n=14) showed that there was no significant relationship between the variables at the 0.05 level. A relationship between these two variables would have indicated that organisations would be required to employ sufficient fundraising staff in relation to their financial needs if they were to feel that their fundraising staff contingents were adequate. The absence of any significant relationship suggests that other factors may have been responsible for influencing respondents' perceptions on the issue. One possible factor may have been that fundraisers working for some organisations were more adept at raising funds than those at other organisations, and were therefore able to find the necessary finance required for their organisations, while other organisations may have employed the same number of fundraising staff who were not skilled enough to ensure the meeting of their financial needs.

**Graph 4-34: Ratio of total staff to fundraising staff amongst organisations that employed at least one full-time fundraiser in relation to perceived severity of problem of insufficient fundraising staff [Each respondent organisation is represented by a vertical bar, the value of which indicates the number of staff members employed by the organisation for every full-time fundraiser employed by the organisation]**

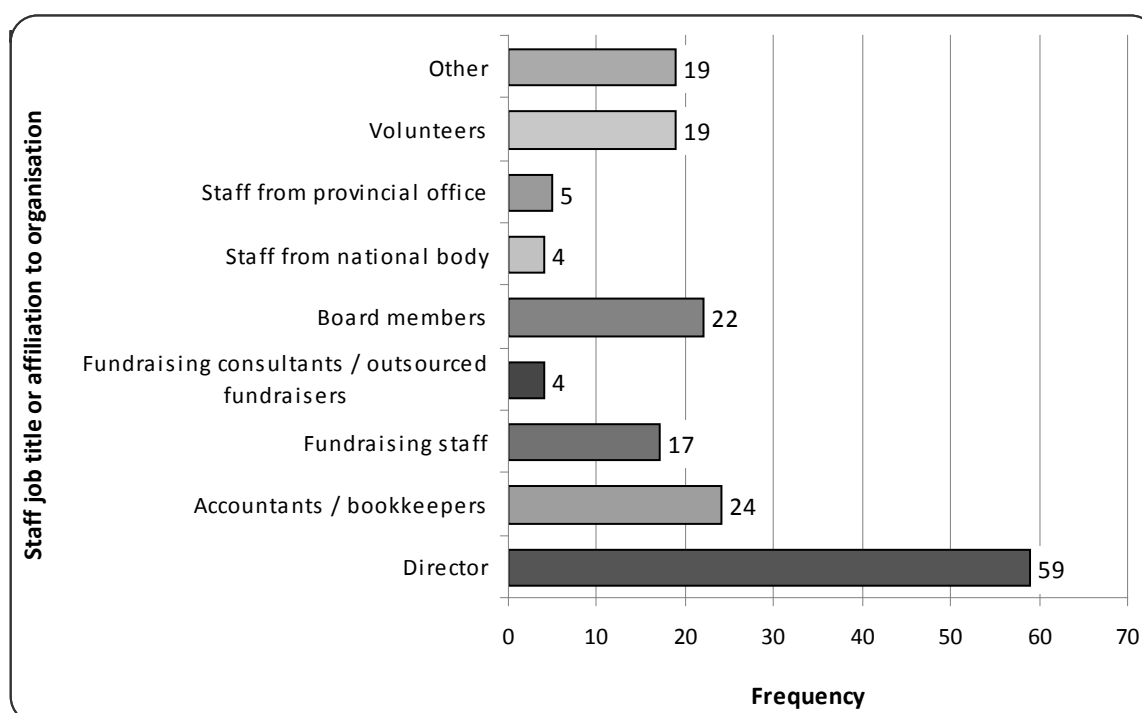


There is clearly a need for social service organisations to be able to secure more funding in order to ensure that social worker vacancies are minimised. The high rate of social worker vacancies (discussed in section 4.4.3) is alarming when the dire need for their services are considered. Respondents' explanations for their organisations' vacancies were mostly related to financial deficiencies. Apart from the high rate of respondents who indicated that their vacancies were the results of not having had enough money or that their salaries were not competitive with those of the public sector, almost half of respondents indicated there had been no suitable applicants. This last issue is directly related to organisations' financial matters. The researcher feels that if better salaries are offered to social workers, organisations will not have any difficulty in finding suitably qualified and experienced staff to fill these vacant posts. It would therefore be of benefit to organisations to generate more income specifically for the purposes of paying better salaries to social workers and other direct social service provider staff.

#### **4.4.4 Other staff performing fundraising activities**

Organisations were asked to specify which members of staff (or affiliated individuals) were either wholly or partially responsible for performing fundraising activities. Some respondents did not fill in this question, and therefore the number of organisations that reported to have fundraising activities performed by fundraising staff numbered only 17 for this question. The most common staff member to perform fundraising activities was the director, with a frequency of 59 responses. Twelve respondents also indicated that the director was the sole staff member responsible for conducting fundraising activities. Accountants and/or bookkeepers, board members, volunteers and 'other' staff members were partially responsible for fundraising in 24, 22, 19 and 19 of respondents' organisations respectively. These results are illustrated in graph 4-35.

**Graph 4-35: Staff or affiliated individuals who performed fundraising activities**



Of the respondents that reported that their organisations' directors performed fundraising activities, one third reported that their directors spent up to 20 percent of their total work hours performing fundraising activities, and another third reported that their directors spent up to 40 percent of their time on these activities. Almost a quarter of organisations' directors spent up to 60 percent of their time on fundraising, while directors from 11 percent of organisations spent up to 80 percent of their time performing fundraising activities. This represents a massive chunk of directors' time. These findings are consistent with those from Smith's (2005) study, which also found that non-dedicated fundraising staff (including direct service provider staff) were spending time on fundraising activities at the expense of service provision. These findings add more weight to the pro-fundraiser argument. Fundraisers' salaries would generally be lower than directors' salaries, and in effect some organisations would be spending more on fundraising expenses by not employing a fundraiser and having their directors do all the fundraising than they would be if they employed fundraisers.

#### **4.4.5 Fundraising consultants and outsourced fundraisers**

As mentioned in section 3.4.3.6, fundraising consultants do not actually perform fundraising activities, but advise organisations on how to improve their fundraising performance. Fifty-two respondents (62 percent) indicated that their organisations had not made use of fundraising consultants in the past, with 23 organisations (27 percent) revealing that they had made use of fundraising consultants. Nine organisations (11 percent) did not know whether or not their organisations had ever used fundraising consultants.

Of the organisations that had used fundraising consultants, 74 percent indicated that their consultants had charged a fee, 17 percent revealed that the consulting had been provided free of charge, and nine percent were unsure whether or not they had paid for their consulting services. Nineteen organisations



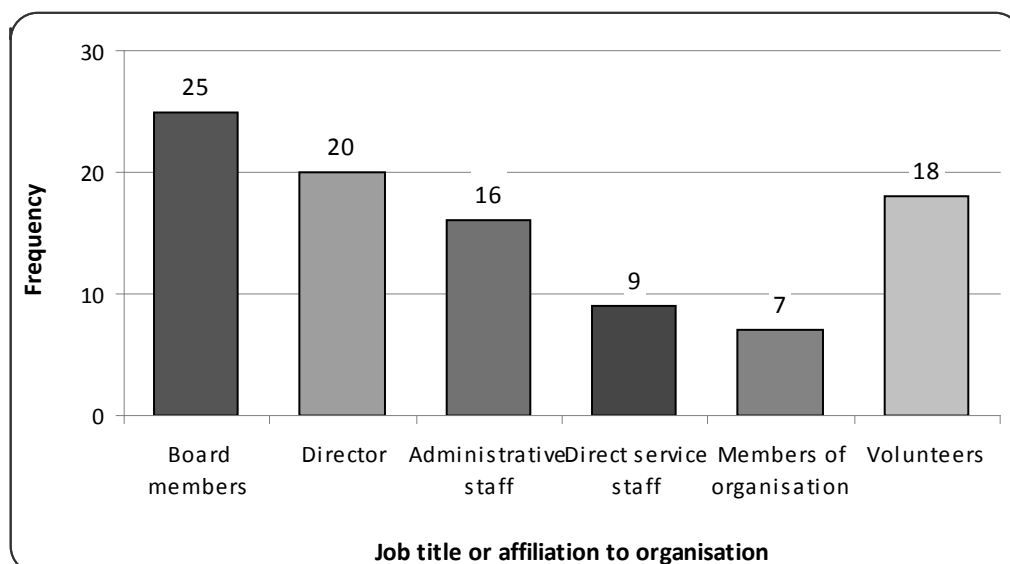
(83 percent) indicated that they had implemented the consultants' recommendations but over half of this number, 56 percent, indicated that the implementations had not in fact led to improved fundraising performance to their satisfaction. This rate of unimprovement is a point of concern, as it implies that many organisations had invested valuable financial and human resources on the development of their fundraising capacities, but did not enjoy any returns on their investments. It possibly calls into question the credibility of many fundraising consultants. The questionnaire did not go further by asking respondents to indicate reasons why fundraising performance had not improved to their liking. It is therefore unclear as to whether organisations experienced capacity and skills problems during implementation.

Eleven organisations had outsourced their fundraising functions, meaning that they contracted individuals or companies to do their fundraising for them without paying them staff salaries. Of these outsourced fundraisers, half were paid in commission and half were paid in pre-arranged fees. It is interesting that such a high percentage of outsourced fundraisers were paid in commission, considering that local and international fundraising bodies consider commission-based fundraising to have ethical drawbacks, as argued by the Association of Fundraising Professionals (2002). The option of not having to provide the initial capital for fundraising is obviously favoured by some organisations, but the questionnaire did not probe organisations' ethical stances towards commission-based fundraising.

#### 4.4.6 Fundraising committees

Fundraising committees may act as alternatives or support to salaried staff who perform fundraising activities within organisations. Thirty respondents (36 percent) indicated that their organisations had fundraising committees. Respondents were asked to specify which staff members or individuals associated with their organisations were on their fundraising committees. They were able to specify multiple staff members. Most the organisations' (83 percent) fundraising committees included some of the organisations' board members. Organisations' directors were members of fundraising committees in 20 cases (67 percent), while volunteers and administrative staff formed part of fundraising committees in 18 (60 percent) and 16 (53 percent) of cases respectively (Graph 4-36).

**Graph 4-36: Composition of fundraising committees**



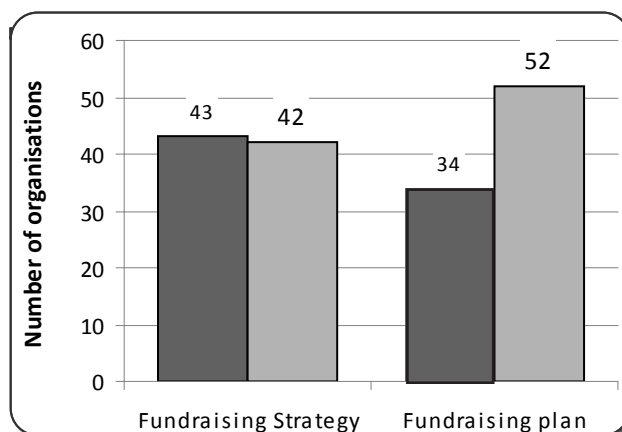
## 4.5 Fundraising planning and strategising

Planning and strategising for fundraising is vital if fundraising is to be performed effectively and efficiently. Organisations were asked about the methods and activities used to plan and strategise for fundraising activities in order to ascertain the general level of engagement with these stages of the fundraising process.

### 4.5.1 Incidence of planning and strategising for fundraising

Respondents were given explicit definitions of a fundraising plan and a fundraising strategy, and were then asked if their organisations had formally created these documents. Just over half of respondents indicated that their organisations had fundraising strategies, while slightly fewer than 40 percent of organisations had fundraising plans (Graph 4-37). Eight organisations (24 percent) that had fundraising plans had been required to adopt their plans from their national bodies. Almost all organisations that had fundraising plans adhered to their plans either always (38 percent of organisations) or often (59 percent of organisations).

**Graph 4-37: Incidence of fundraising strategy and fundraising plan**



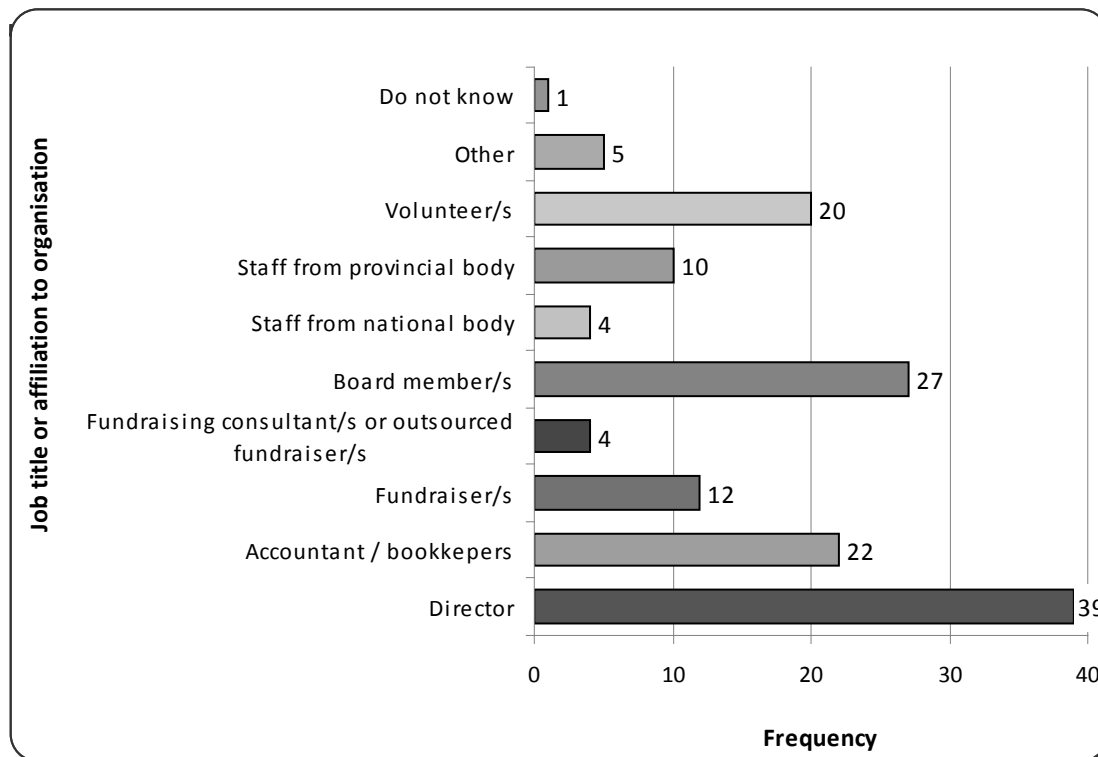
A frequency table of the existence or absence of fundraising strategies and plans (table 4-11) revealed that two-thirds of organisations that had fundraising strategies also had fundraising plans, and that 85 percent of organisations with fundraising strategies also had fundraising plans. Twenty-nine organisations (34 percent) had both documents. A Chi-square test was performed to ascertain whether or not a definite relationship existed between the absence/existence of a fundraising strategy and the absence/existence of a fundraising plan. The results showed that a relationship existed that was significant at the 0.01 level ( $n=85$ ).

**Table 4-11: Combined incidence of fundraising strategy and fundraising plan**

		Fundraising strategy	
		Yes	No
Fundraising plan	Yes	29	5
	No	14	37

When it came to staff participation in creating fundraising strategies, directors had the most frequent involvement, being identified as part of the process in 39 cases. Board members were involved in 27 cases, with accountants/bookkeepers and volunteers being involved in 22 and 20 incidences respectively (Graph 4-38). Proportionately similar responses were provided for staff involvement in the creation of the fundraising plan.

**Graph 4-38: Frequency of staff involvement in fundraising strategy**



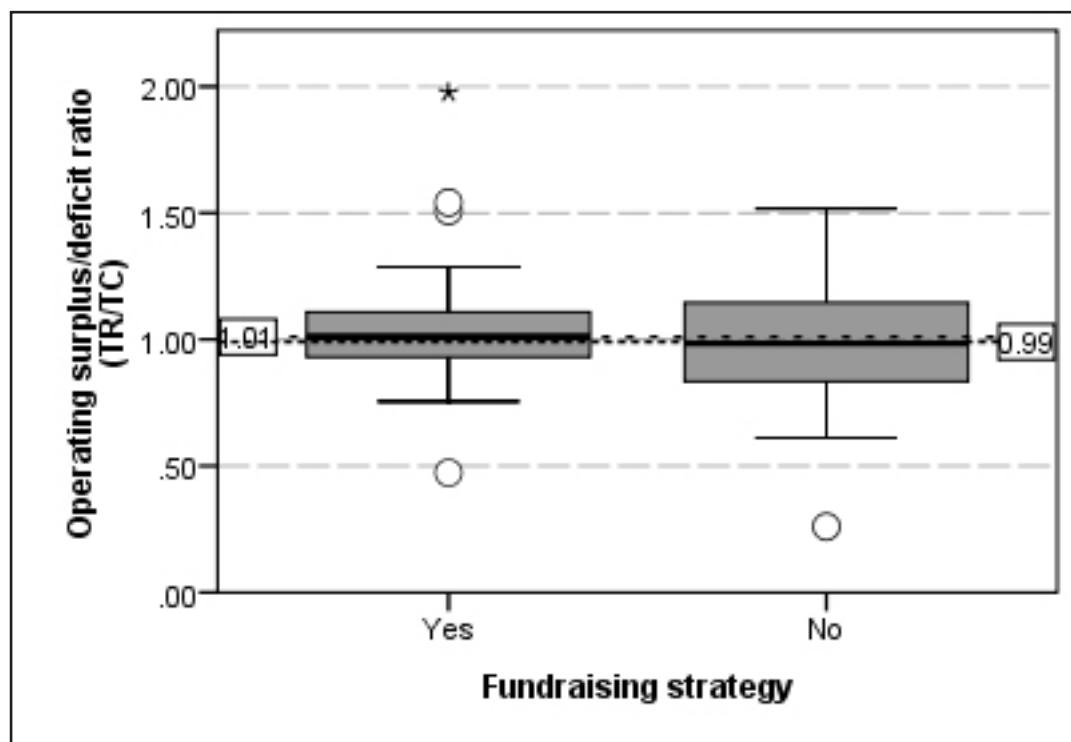
In the same way that there was shown to be a relationship between employing dedicated fundraising staff and the accuracy of meeting funding requirements, so it appears that there was a relationship between the existence of fundraising plans and strategies, and relatively accurate income generation according to required organisational expenses. Table 4-12 shows organisations' TR/TC ratios according to whether or not they had fundraising strategies. A Chi-square analysis of this data revealed that there was no meaningful relationship between these two variables. Fundraising strategies therefore did not appear to have influenced organisations' abilities to have generated enough funding to meet their expense needs.

**Table 4-12: TR/TC ratios in terms of the existence of a fundraising strategy**

		TR/TC ratio							
		0.00-0.50	0.51-0.80	0.80-0.95	0.96-1.05	1.06-1.20	1.21-1.50	1.51-2.00	>2.00
Fundraising strategy	Yes	1	2	8	11	5	3	3	2
	No	1	4	9	7	6	4	1	2

However, graph 4-39 illustrates the spread of TR/TC ratios in terms of the existence of a fundraising strategy. The overall spread appears to be quite even for both category of organisation. Both ratio spreads were centred at a median of almost 1.00 and stretched out to almost identical minimum and maximum values. However, organisations that had fundraising strategies were concentrated more towards the median between the 25<sup>th</sup> and 75<sup>th</sup> percentile, indicating that these organisations had higher rates of accurately effective fundraising. This relationship was not as obvious or concrete as the relationship between the employment of dedicated fundraising staff and organisations' TR/TC ratios, which was determined using the same method of analysis. Again using the same method of analysis, it was determined that a relationship also existed between accurate TR/TC ratios and the existence of a fundraising *plan*. And again, a Chi-square analysis indicated that a relationship could not be determined for these variables through that method of analysis.

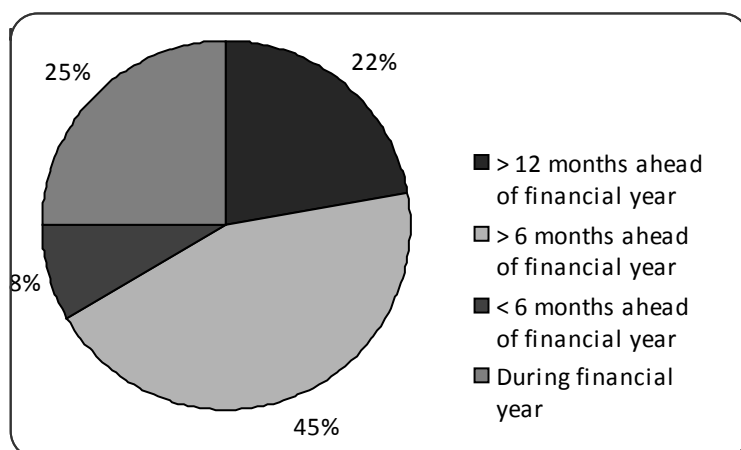
**Graph 4-39: Spread of TR/TC ratios in terms of the existence of a fundraising strategy**



#### 4.5.2 Fundraising forecasts

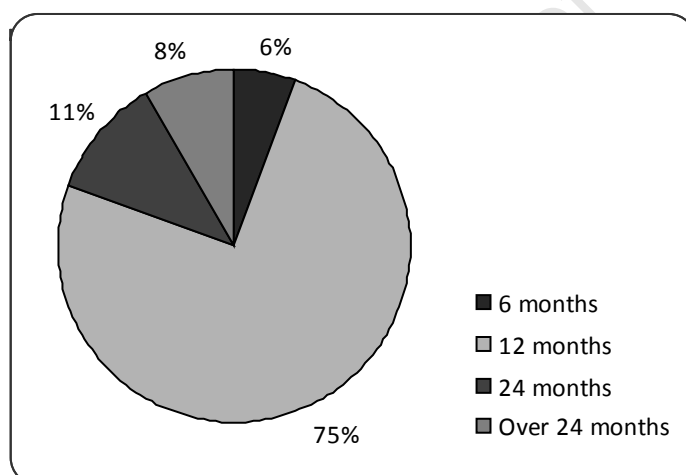
Less than half (41 percent) of respondents indicated that their organisations projected fundraising forecasts, the breaking down of the amounts of funding that are required over particular strategic periods of time so that fundraising efforts can be planned effectively. Of the organisations that performed fundraising forecasts, 22 percent did so more than a year before the beginning of the financial year for which the funds were required. Forty-five percent of organisations performed their forecasts between six and twelve months in advance, while eight percent performed their forecasts less than six months prior to the beginning of the following financial year. A quarter of organisations performed their forecasts during the financial year for which the funds were required (Graph 4-40).

**Graph 4-40: Date at which fundraising forecast is performed in relation to the financial year during which the funding is required**



Three-quarters of respondents indicated that their organisations' fundraising forecasts projected 12 months into the future from the beginning of the relevant financial year. Six percent of organisations reported that they projected their forecasts six months into the future. Longer-term forecasts of up to and over two years were conducted by eleven and eight percent of organisations respectively (Graph 4-41). The great majority of organisations that conducted fundraising forecasts would modify their forecasts during the financial year for which the funds were required, with 83 percent of organisations having made modifications to their forecasts during this period.

**Graph 4-41: Duration of projection of fundraising forecasts**



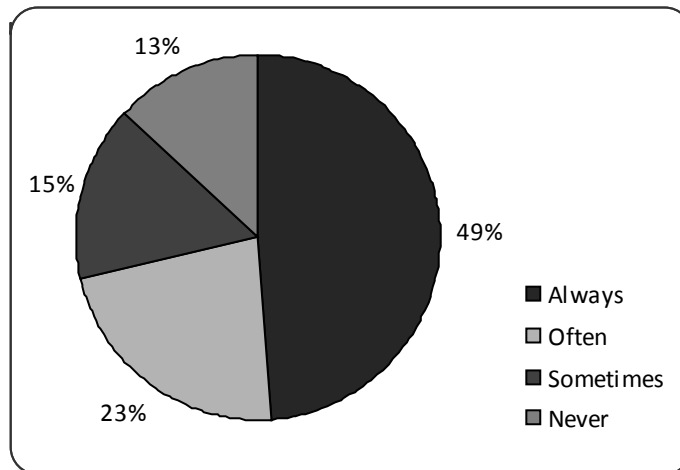
### 4.5.3 Appealing to donors' interests

As the evidence discussed in the literature review suggests, organisations appealing for funds are more likely to have success if their appeals are designed in ways that best suit respective donors' interests and focus areas. Respondents were asked about their perceptions on certain donor requirements, and to provide information on their own actions relating to improving their fundraising success rates during the planning stages.

#### 4.5.3.1 Donor requirements

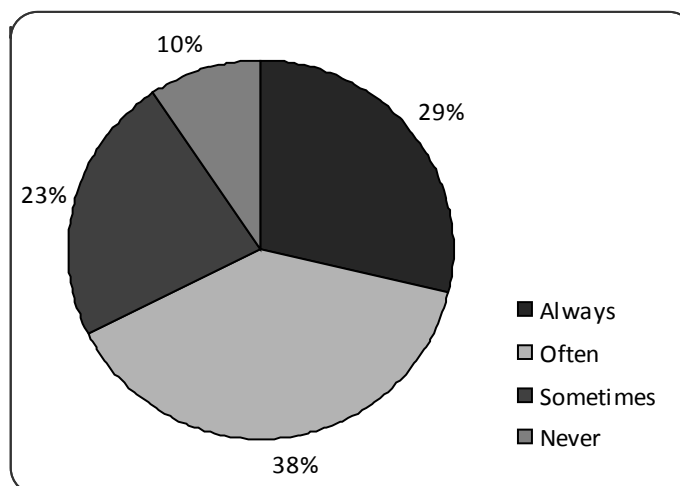
As was discussed in section 3.4.4.1, donor research forms an important part of fundraising management, in that it can greatly improve fundraising effectiveness and efficiency. The more information organisations have about the potential donors they are seeking funds from, the more effective they can design their funding campaigns and proposals. Slightly fewer than half of respondents reported that they always researched the policies and criteria of potential donors before requesting funds from them. Less than a quarter of organisations performed donor research often, while 15 and 13 percent respectively conducted donor research only sometimes or never (Graph 4-42)

**Graph 4-42: Frequency of researching the funding criteria of potential donors**



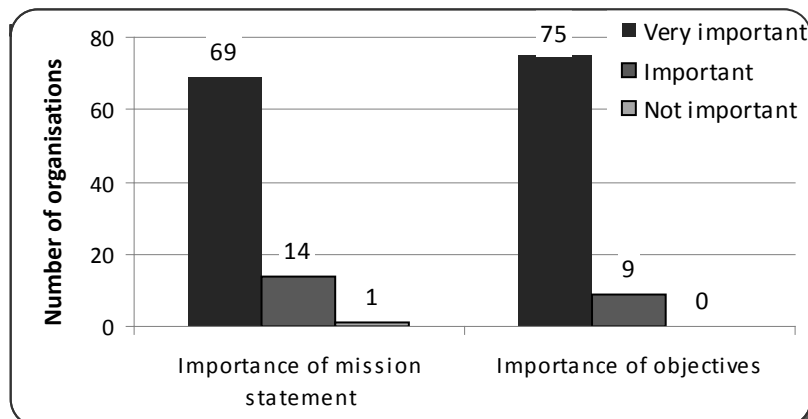
Anecdotal evidence suggests that donors are increasingly concerned with the sustainability of organisations that receive their funds. Respondents were asked how frequently potential donors wished to see evidence of their moving towards self-sustainability. Twenty-nine percent of respondents felt that donors always wished to see evidence of a move towards self-sustainability, and 39 percent felt that donors wished to see such evidence often. Organisations that felt that donors only sometimes wished to see such evidence made up 23 percent, while nine percent felt that donors never required evidence of moving towards self-sustainability (Graph 4-43).

**Graph 4-43: Perceptions of how often potential donors wish to see organisations moving towards self-sustainability**



As discussed in the literature review, evidence suggests that donors' responses to funding appeals are based more on organisations' missions and objectives than on organisational effectiveness and efficiency. Respondents were asked to indicate the level of importance that donors placed on organisations' missions and objectives. Eighty-two percent of respondents felt that mission statements were very important to donors, with only one percent responding that mission statements were not important at all. Eighty-six percent of organisations felt that organisational objectives were very important to donors. No respondents felt that organisational objectives were not important at all (Graph 4-44).

**Graph 4-44: Perceived importance of mission statement and organisational objectives in securing funding**



#### 4.5.3.2 Improving fundraising success rates

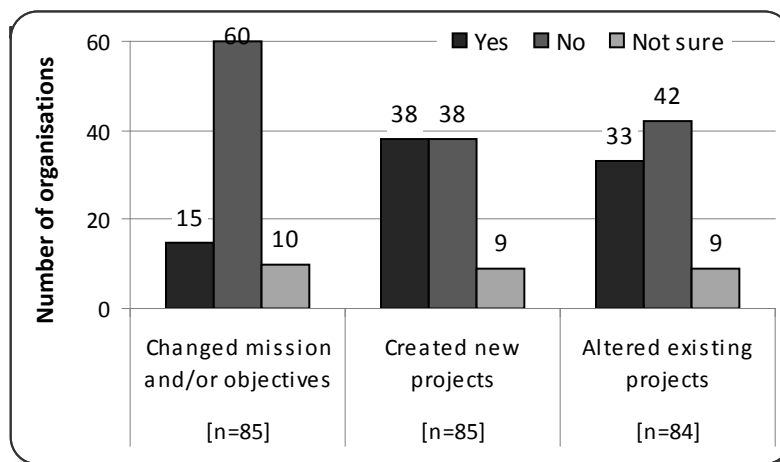
Respondents were asked whether their organisations had made alterations to their organisations' missions, objectives and projects for the sake of being able to meet more donors' funding criteria. The results are illustrated in graph 4-45. Respondents from 71 percent of organisations reported that their organisations had not changed their missions or objectives for the purpose of meeting funding criteria, while 18 percent (15 respondents) indicated that they had. The remaining 10 respondents were not sure whether or not this had been done. A more even spread of organisations were reported to have created new projects or altered existing projects in order to qualify for funding. Forty-five percent of organisations had created new projects for these purposes, with the same percentage having not done so. Thirty-nine percent of organisations had altered existing projects to suit donor requirements, while half of respondents indicated that their organisations had not done so.

Altering and creating projects for this purpose may or may not be beneficial for organisations and their client communities, depending on the context behind the changes/creations and the degree of autonomy in their decision-making that organisations are able to maintain. Changing missions, objectives, and projects purely for the purposes of securing funding can have positive and negative consequences for organisations. On the one hand, organisations need to be proactive in finding funding, and if projects can be tweaked and altered without sacrificing the integrity and efficacy of an organisation then it is encouraging that organisations have been able to do so. Provided that the any changes made were based on policies that were in the best interests of the poor and marginalised, it is encouraging that organisations were able to adapt to changing macro-funding climates.



On the other hand, organisations must be careful to not change their projects purely to suite the requirements of particular donors. Organisations should ideally be monitoring, evaluating and developing their projects on an ongoing basis, and they should therefore have the best insight as to how their projects should move forward. Such positive developments could be compromised by attempts to engineer projects to suite certain donors' funding criteria. Organisations should rather establish their own project identities and seek out donors that support their particular causes, rather than effectively having their project directions being dictated by donors. In order for this to happen, however, organisations must be able to demonstrate competent management and planning, as this would promote donor confidence in organisations' own project identities.

**Graph 4-45: Prevalence of having altered organisational mission, objectives and projects for the purpose of meeting donor funding criteria**



Respondents were also asked to indicate whether they were aware of the fundraising capacities of organisations similar to themselves (measures of similarity were not specified, and organisations were required to interpret this for themselves). The researcher felt that having such knowledge of other organisations – particularly when the organisations in question were fundraising effectively and efficiently – would be beneficial because it might encourage a culture of working towards improving fundraising practices, in a similar way that commercial competition in the private sector stimulates improved organisational performance. Responses revealed that 43 organisations (53 percent) were aware of the funding capacities of similar organisations.

Maintaining a donor database is an important tool for ensuring a regular flow of funding from smaller donors – as well as to sustain relationships with larger donors. Sixty-three organisations (76 percent) indicated that they maintained donor databases, leaving almost a quarter of organisations that did not maintain donor databases. The comparatively high percentage of organisations that maintained donor databases is encouraging, although there is certainly room for more organisations to adopt this practice. It is certainly one of the easiest ways to improve fundraising efficiency, in that it allows organisations to focus their funding appeals to target groups, individuals and funding entities that may be likely to respond favourably, as well as to assist with donor retention.

#### **4.5.4 Monitoring and evaluation**

The monitoring and evaluation of organisational programmes and activities is an important part of ensuring that services are provided effectively and efficiently. The degree and extent of monitoring and evaluation within the NPO sector is fairly small compared the performing of these activities within the corporate sector. Anecdotal evidence suggests that NPOs pay very little attention to evaluating the effectiveness and efficiency of their fundraising activities in particular. Forty-seven respondents (57 percent) revealed that their organisations did not evaluate the effectiveness and efficiency of their fundraising activities, while nine organisations (11 percent) did not know whether or not this was done. Less than a third of organisations reported that they had performed fundraising effectiveness and efficiency evaluations. This is a very low proportion of organisations, especially considering the relative ease of evaluation (units of measurement are monetary, and data can be made easily available through accounting systems) and the financial benefits of conducting effective fundraising that does not incur great cost to the organisation. Of the 27 respondents who reported that their organisations performed fundraising evaluations, two did not know how often the evaluations were conducted, with the remaining organisations being divided quite evenly between performing evaluations either annually or more than annually. No organisations were reported to have performed their evaluations less frequently than on an annual basis.

These findings support the researcher's earlier evaluations of the accuracy of reported fundraising financial data. If so few organisations had actually evaluated their fundraising effectiveness and efficiencies, then it would have been unlikely that the remaining organisations would have been able to have reported accurately on these figures in the questionnaires. Their responses would have been mainly based on guesswork and not on structured analysis.

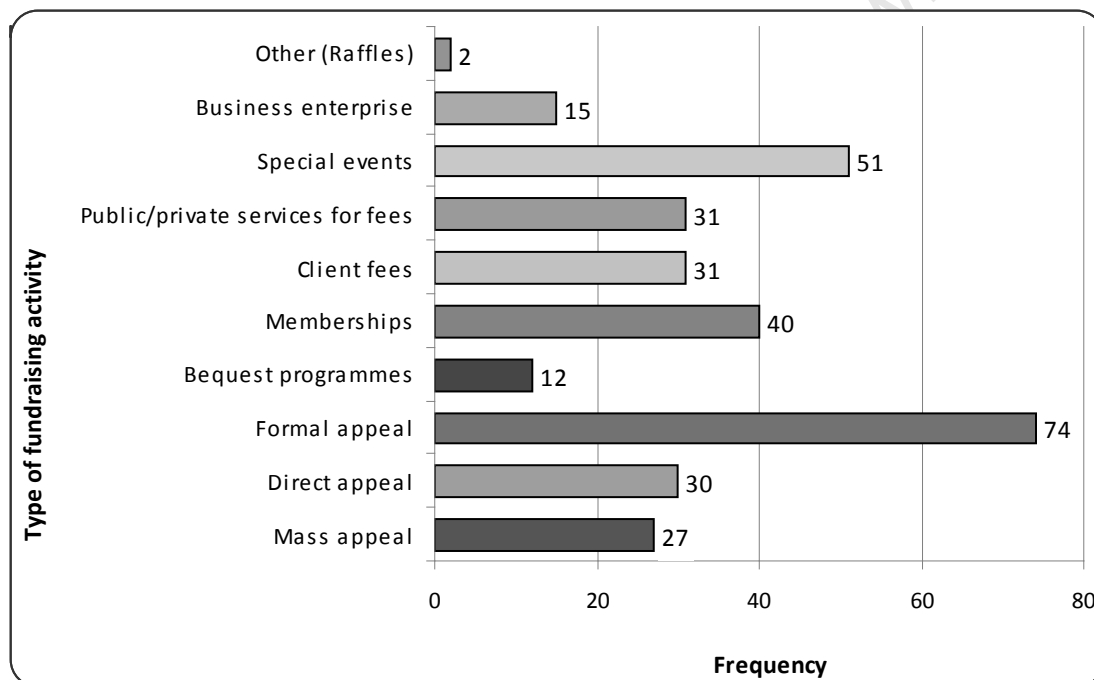
#### **4.6 Fundraising activities and sources**

Organisations were asked to identify their fundraising activities and sources so that the researcher could establish if any trends existed in this area of fundraising. Often sources and activities would be strongly linked (for example, most funding from trusts and foundations would be accessed through formal appeal). The pilot survey revealed that respondents often blurred the distinction between sources and activities, but for the purposes of this study it was important that they were treated separately. The definitions of fundraising sources and activities that are being used for the purposes of this study were explained to respondents before they filled out the relevant sections of the questionnaire so that possibilities of misinterpretations of the terms would be minimised. It is important to bear in mind that in the context of this report, fundraising revenue does not include income derived from government sources, funding intermediaries or returns on investments. Fundraising activities therefore only include activities that were performed to secure income from specified fundraising sources.

#### 4.6.1 Fundraising activities

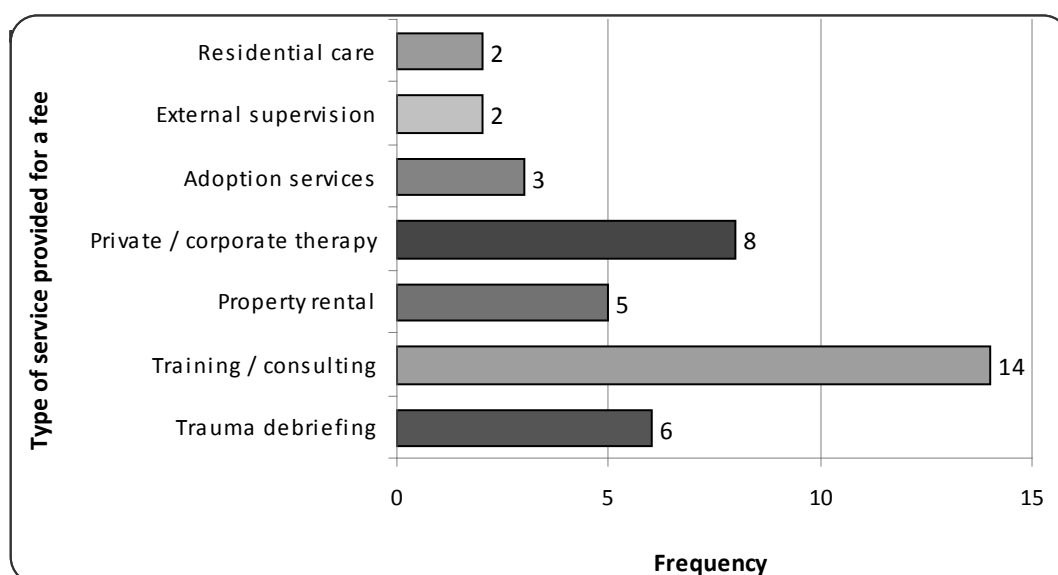
Graph 4-46 illustrates the frequency of fundraising activities employed by organisations. Organisations were given a list of possible activities that they might have performed, and were able to indicate multiple activities. They were also able to specify activities not included in the activities suggested by the researcher. The most commonly used fundraising activity was the formal appeal, with 74 organisations using this method to raise funds. Special events were run by 51 organisations, and 40 organisations gathered regular income through charging membership fees. Thirty-one organisations charged fees from their clients, with the same number charging fees for services from the public and private sectors. Direct appeal and mass appeal activities were used by 30 and 27 of organisations respectively. Only 15 organisations generated income through running business enterprises, and just 12 organisations ran bequest counselling programmes.

**Graph 4-46: Frequency of fundraising activities used by organisations**



Organisations that provided services to the public or private sector for a fee were asked to specify the types of services they provided. Their responses are shown in graph 4-47. Almost half of these organisations provided training and consulting, with 14 organisations providing these services. Eight organisations provided therapy to corporate and private clients, and five organisations provided trauma debriefing to the private sector. Five organisations rented out property, either in terms of lease agreements or for the temporary use of their facilities. Adoption services and external supervision were provided by three and two organisations respectively.

**Graph 4-47: Breakdown of services charged for a fee**



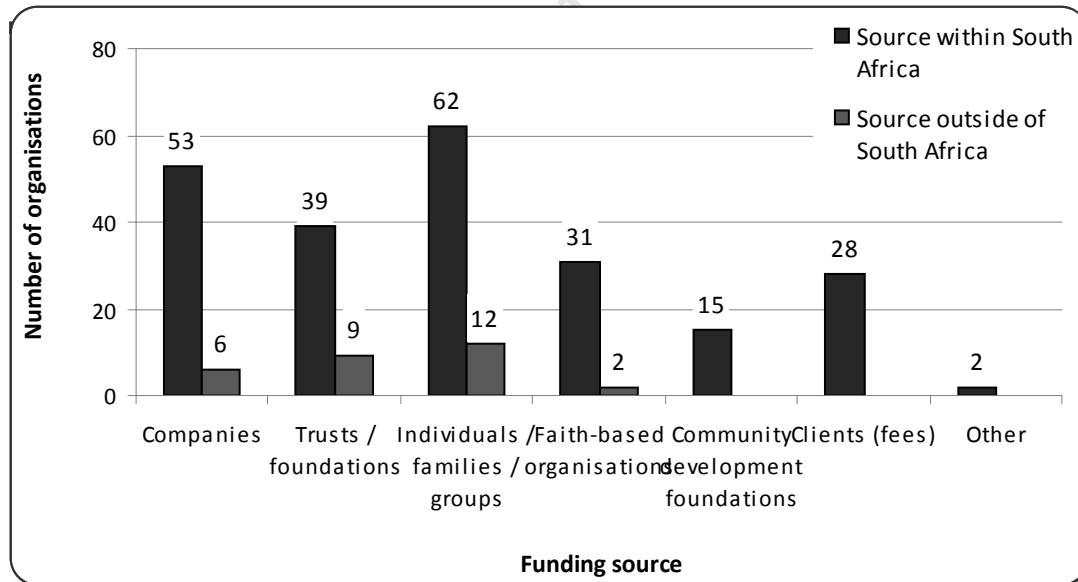
Respondents were also asked to specify the type of events that their organisations ran. They were able to specify multiple events. As discussed in section 3.4.2.7, special events can offer relatively low returns on the capital required to run them, but they provide excellent marketing and public relations opportunities that can ultimately lead to increased returns from other fundraising activities. Twenty of the organisations that ran special events ran golf days, and eighteen organisations ran meal events (breakfasts, teas, lunches, dinners). Other fairly popular events were the staging of performances and entertainment (mainly music events), fun runs and dances, which were organised by thirteen, nine and eight organisations respectively. Of the respondents that indicated they ran business enterprises, eleven specified the types of enterprises that they ran. Five organisations ran bargain shops, and four manufactured furniture and/or other wooden products. A tuck shop and a catering business were operated by one organisation apiece. Business enterprises - if conducted successfully - demonstrate organisations' abilities to generate their own income and therefore show donors that they are moving towards self-sustainability (Holloway, 2001). This is significant in light of the finding that the majority of respondents felt that donors wished to see evidence of organisations moving towards self-sustainability.

The researcher also feels that NPOs should try to move away from typical NPO business enterprises such as charity shops, and instead to operate enterprises that can compete with the private sector. It would not necessarily be unwise for organisations to operate profitable enterprises that fall outside their core areas of expertise, provided that competent staff are put in place to manage these enterprises, as argued by Holloway, 2001. It would be interesting to investigate and document instances whereby organisations are running professional, viable enterprises. The researcher feels that NPOs have advantages over the private sector in their marketing and promoting opportunities, as he feels the public is likely to support enterprises that channel their spent money down to beneficiary communities. Profitable enterprises also offer opportunities for individuals from beneficiary communities to receive on-the-job training and skills development in real-world environments. These enterprises could therefore perform social development functions in addition to income generation functions.

## 4.6.2 Sources of fundraising revenue

Respondents were asked to indicate from where their organisations received fundraising revenue, by selecting one or more categories of sources from a list of options. Organisations did not necessarily have to have received funding from these sources for the 2007/2008 financial year. They were also asked to indicate whether their sources were local or international, or both. Of the 78 respondents who specified at least one source, 62 respondents indicated that their organisations received revenue from individuals, families or groups within South Africa. The second most frequent source of fundraising revenue was South African companies, with 53 respondents indicating that their organisations had received local corporate funding. Thirty-nine organisations had received fundraising revenue from trusts or foundations. The most frequent source of international fundraising revenue came from individuals, families and groups, with 12 respondents indicating that their organisations received funding from these sources. Nine organisations received fundraising revenue from international trusts or foundations, six from international companies and two from foreign faith-based organisations. Only 24 respondents, or 31 percent of respondents who indicated at least one source of fundraising revenue, indicated that they received funding from at least one foreign source of fundraising revenue. This suggests that local SSOs were under-receiving from foreign funding sources in relation to the potential amounts available from outside of South Africa (Lake, 2006; Swilling and Russell, 2002). Whether this was due to a lack of seeking foreign funding, or whether they had applied for foreign funding and had not been granted this funding, was not clear. Organisations' sources of funding are shown in graph 4-48.

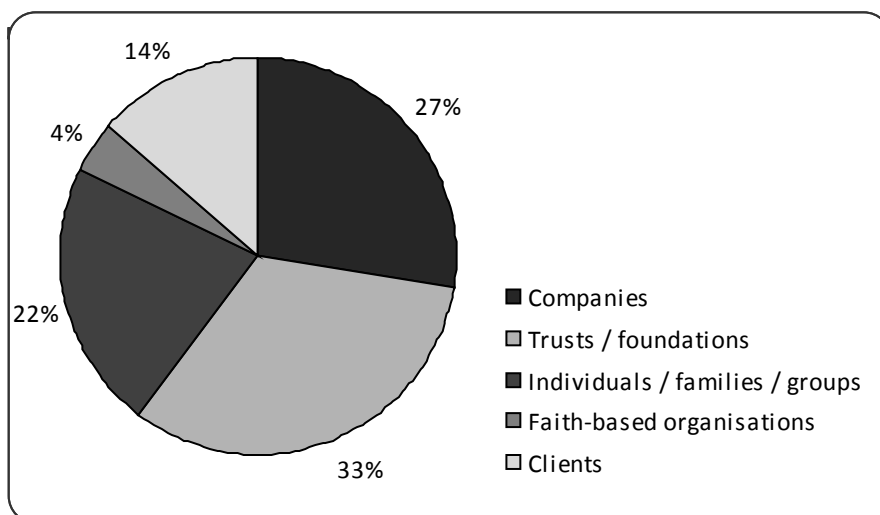
**Graph 4-48: Sources of fundraising revenue**



Of the 53 respondents who indicated that their organisations received finance from corporations, 23 (43 percent) responded that they made suggestions to companies regarding marketing ideas and benefits that could be created through funding their organisations. Twenty percent of respondents reported that a corporation from within the financial sector had been the most generous to their organisations over the previous three years, while corporations from each of the retail, mining and manufacturing industries were reported to have been the most generous to 14 percent of organisations.

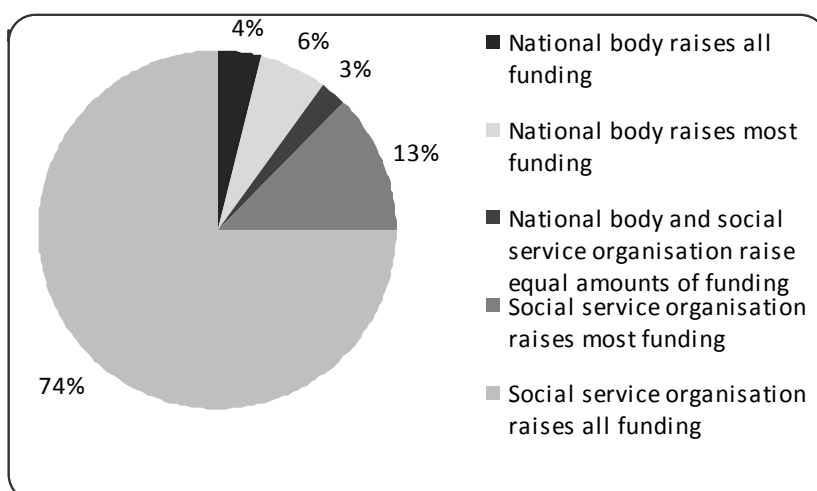
Respondents were asked to identify from a list of options what their most consistently lucrative sources of fundraising revenue were. Thirty-three percent of respondents reported that trusts and foundations had been the most lucrative source of their organisations' fundraising revenues. Companies were the most lucrative fundraising source for 27 percent of organisations, and individuals, families and groups were most lucrative for 22 percent of organisations (Graph 4-49).

**Graph 4-49: Most lucrative source of fundraising revenue**



Of the organisations that received fundraising revenue from foreign sources, the most frequent region that provided funding was Europe, with 19 organisations receiving fundraising revenue from sources within the continent. North American sources gave fundraising revenue to seven respondents' organisations, while Australasian and South American were irregular sources of funding. Respondents were also asked to indicate the extent to which their national bodies (and by extension their provincial bodies) raised funds for them. Three quarters of respondents indicated that their SSOs raised all of their own funds with no assistance from their national or provincial bodies. Another 13 percent indicated that their national bodies provided some financial assistance, with 12 percent of organisations raising half, less than half or none of their funding themselves (Graph 4-50). Fundraising therefore appeared to be almost exclusively the domain of local organisations providing their own social services.

**Graph 4-50: Proportion of funding raised by national bodies and SSOs**

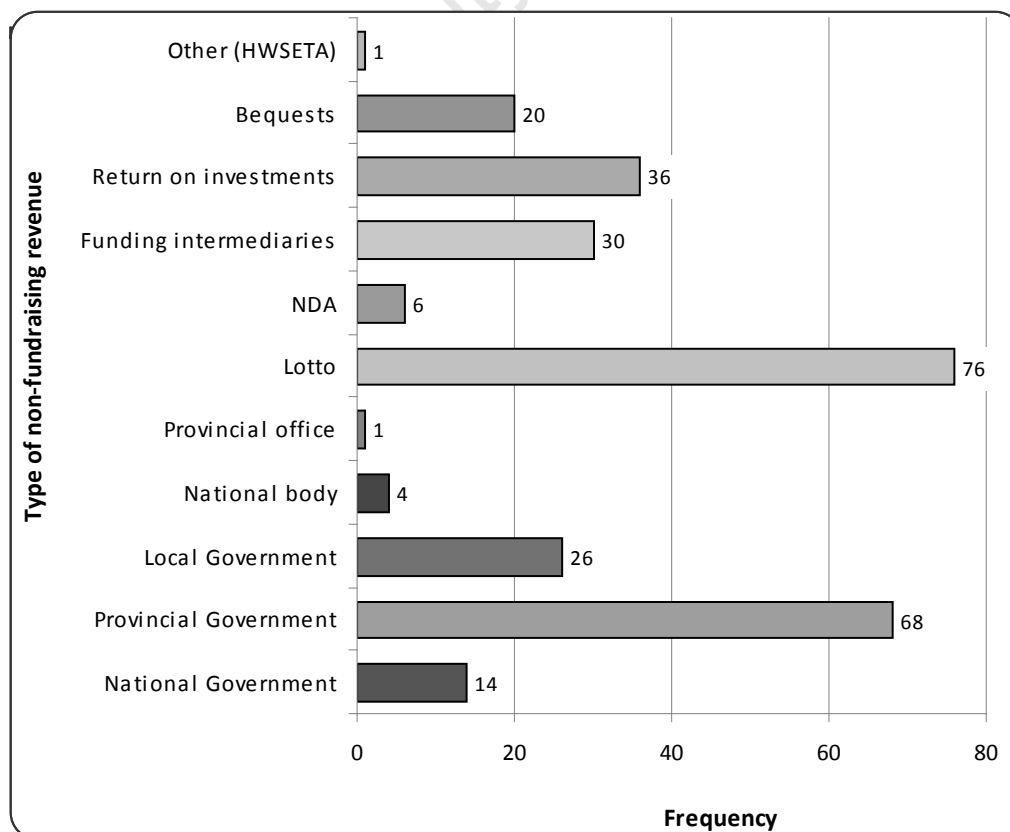


### 4.6.3 Additional sources of revenue

For many - if not most – of the SSOs that participated in the study, the researcher expected that revenue derived from fundraising sources would not be their primary source of total organisational revenue. Instead it had been expected that government sources would make up the bulk of total revenue, with the Lotto providing substantial amounts in many cases. This was confirmed by the fundraising dependency ratios, and percentages of state funding calculated and discussed in sections 4.3.2.5 and 4.3.2.6.

The vast majority of organisations had received funding at some time from the National Lotteries Distribution Trust Fund, with 76 organisations having received NLDT funding. In comparison to the large number of organisations that received Lotto funding, only six organisations had received funding from the NDA. This suggests that many organisations either did not meet NDA funding criteria and had been denied funding, or had not applied for NDA funds in the first place. Provincial government was predictably a common source of revenue, with 68 respondents having reported that they had received this form of income. The researcher found it quite surprising that more SSOs had received funding from the NLDT than from provincial government departments, especially considering that all organisations in the study employed at least one full-time social worker. The other levels of government – national and local – were sources of funding for 14 and 26 organisations respectively. A fairly significant number of respondents (36) reported having received returns on investments, while 30 organisations had received funding from funding intermediaries such as the Community Chest. Very small numbers of respondents' organisations had received funding from their provincial or national bodies. Graph 4-51 shows the frequency of organisations that derived parts of their income from sources not defined as fundraising sources in terms of this study.

**Graph 4-51: Sources of non-fundraising derived revenue**





Respondents were asked to specify from which of the following five sources (local, national and provincial government, the NLDTF and the NDA) their organisations had applied to for funding for the 2007/2008 financial year, whether or not they had received any funding as a result of these applications, and whether or not they had been satisfied with the amounts that they had received. Each initial question (i.e. whether or not their organisation had applied for funding from the particular funding source) was answered by between 79 and 83 respondents, and the amounts of positive responses could therefore be compared proportionately between questions. The results of these questions are illustrated in graph 4-52.

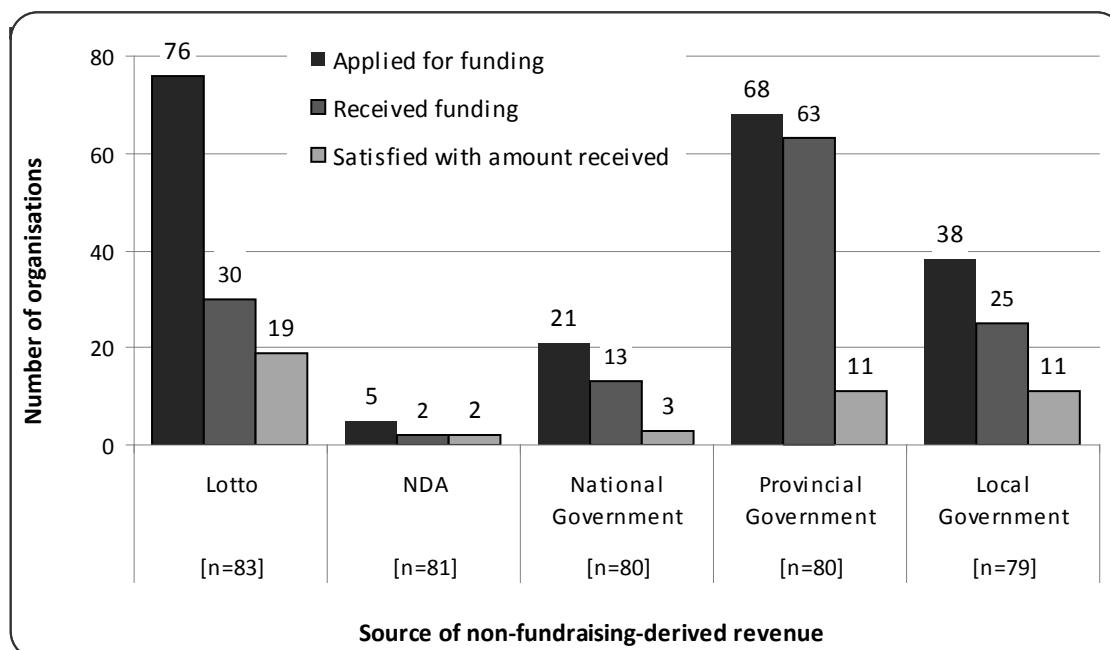
Of the 76 organisations that had applied for funding from the NLDTF, only 30 (39%) indicated that they had received funding from this source, and less than two-thirds of these 30 respondents reported that their organisations had been satisfied with the amounts that they received. This meant that only a quarter of organisations that had applied for Lotto funding ended up being satisfied with the final outcome of their applications. This is consistent with the negative perceptions and attitudes towards the NLDTF that were documented by Louw (2002) and Smit (2005). It is clear from these results that organisations should not depend on Lotto funding for their organisations' survivals, as these funds seem to be unreliable at best. A similar situation was found in relation to NDA funding, albeit on a much smaller scale. Only five organisations had applied for NDA funds, with two organisations enjoying successful applications. Both of these organisations were satisfied with the amounts of funding that they had received. The poor success and satisfaction rates of organisations that applied to the NLDTF for funding, however, does not strike the researcher as a particular point of concern out of context - after all, the NLDTF is but one of many funding sources, and organisations are placing themselves at risk if they hedge their bets on receiving Lotto money. However, interpreting organisations' NLDTF success rates within the context of the unacceptably high underspending of the part of the NLDTF, it is a point of concern that more organisations were unable to secure some of the unspent funds that should have found their way to beneficiary organisations.

Of the 68 organisations that had received funding from provincial government departments, 63 (92 percent) revealed that they had received funding as a result – by far the highest success rate. However, a massive 52 of these organisations (82 percent) were not satisfied with the amounts that they had received. This represents a mere 16 percent satisfaction rate amongst organisations that had applied for state funding through provincial structures. These structures would in most cases be the Department of Social Development, and funding would in most cases have taken the form of subsidies for social workers and other direct social service staff. It is therefore safe to interpret the results as revealing a widespread dissatisfaction of the amounts of staff salaries that state departments had been subsidising.

A lower number of organisations had applied to national government for funding than to provincial government, and this was accompanied by a lower funding success rate. Thirteen of the twenty-one organisations (62 percent) that applied for national funding had been successful in their applications, and only three organisations (23 percent of organisations that received funding, or 14 percent of organisations that applied for funding) had been satisfied with the amounts that they had received. A similar pattern was found regarding applications for funding from local government structures. Thirty-eight organisations had applied for funding from local state sources. Of the twenty-five (66 percent)

of these organisations that had received funding, 11 organisations (44 percent, or 29 percent of the organisations that applied) had been satisfied with the amounts that they had received.

**Graph 4-52: Incidence of applying and receiving funding, and satisfaction of amounts received**



In total there had been 127 reported incidences of applications for funding from local, provincial or national government structures, and only 25 reported incidences of respondents having been satisfied with the final outcomes of these applications. This means that there was an overall satisfaction rate of less than 20 percent. Government funding clearly did not satisfy SSOs' funding expectations, but the study did not probe to ascertain exactly what these expectations had been. The extent to which organisations expected the state to cover their operational and administrative costs was therefore unclear. At the time of compiling this report, the researcher had received direct notification from the Western Cape Department of Social Development that their 2010/2011 budget had been slashed by R 100 million, and that there would thus have to be reductions in amounts provided to SSOs in this province. The notification stated that statutory services would be the focus of state funding. With state funding being reduced and not looking likely to drastically increase in the future, organisations will continue to be required to bring in a substantial proportion of their own funds. Organisations' management must therefore become increasingly proficient in the area of fundraising if their organisations are to survive.

#### 4.6.4 Types of donations

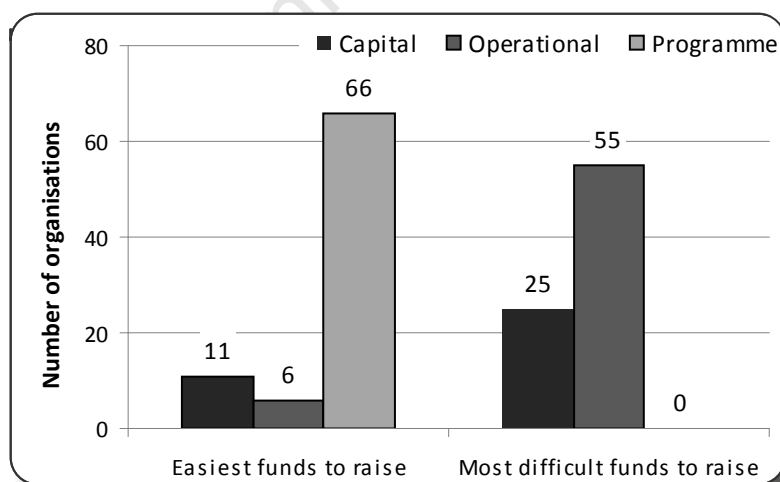
Apart from giving purely financial donations many individuals, corporations, trusts and foundations also donate in-kind, as discussed in section 3.3.3.4. As was mentioned previously, in-kind donations are defined as any donations that are goods *or* services. Ninety-three percent of respondents indicated that their organisations had received in-kind donations. Clothes and/or blankets were the most frequent form of in-kind donations received by organisations, with 72 respondents having indicated that their organisations had been given these items in the past. Food was also a common donation, with 61 organisations reporting to have been given foodstuffs. Discounts, furniture/appliances/tools, office

equipment and the use of venues/accommodation were also donated fairly often, with 43, 42, 38 and 37 organisations respectively indicating that they had received these in-kind donations. Large donations of vehicles and property were reported by 15 and 11 respondents respectively, while time and expertise had been donated in the form of labour and administrative services in 26 and 17 organisations respectively.

Respondents were asked to identify which expenses their organisations found the most difficult and easiest to raise, the results of which are presented in graph 4-53. Consistent with anecdotal evidence, the great majority of respondents indicated that their organisations' easiest funds to raise were for programme expenses. Sixty-six (80 percent) out of eighty-three respondents indicated as such. No respondents reported programme expenses to be the most difficult to raise. Donors evidently respond well to being able to conceptualise more specifically how their funding is spent on organisations' client communities. Also consistent with anecdotal evidence, 55 respondents (69 percent) indicated that their organisations struggled the most to raise funds for operational expenses. Only six respondents indicated that their organisations found operational expenses the easiest type of funding to raise. Donors may not feel that donations for operational expenses are closely enough connected to client communities, and would therefore not be inclined to provide these funds. Twenty-five respondents indicated that capital expenses were the easiest expenses to secure funding for, while eleven respondents found raising funds for these expenses to be the most difficult form of fundraising.

These findings are consistent with those of Smit (2005), who also found that organisations perceived operational expenses to have been the most difficult to raise. One must question the motives behind donors' evident resistance towards providing operational funding. While it is valid that donors would demand that operational costs are kept to a minimum in the interests of organisational efficiency, this should not occur to the point of organisations becoming inefficient and ineffective due to insufficient operational resources. A study on donors' motivations for providing various forms of funding would help to shed light on this issue.

**Graph 4-53: Degree of difficulty involved in obtaining different forms of funding**



A possible strategy for organisations to adopt may be to package their necessary operational and capital expenses required for running projects – including proportionate administrative operational costs that would otherwise be lumped in the operational expenses category – as project expenses. Donors may

not be very sympathetic to general administration expenses required to support an organisation that runs projects, but if these administrative expenses could be included in project expenses (which the researcher would argue to be a true reflection of these expenses) it may help organisations to secure this elusive funding. Another possibility is to ensure that unconditional funds are spent on operational costs so that the need to raise funds specifically for these purposes are reduced.

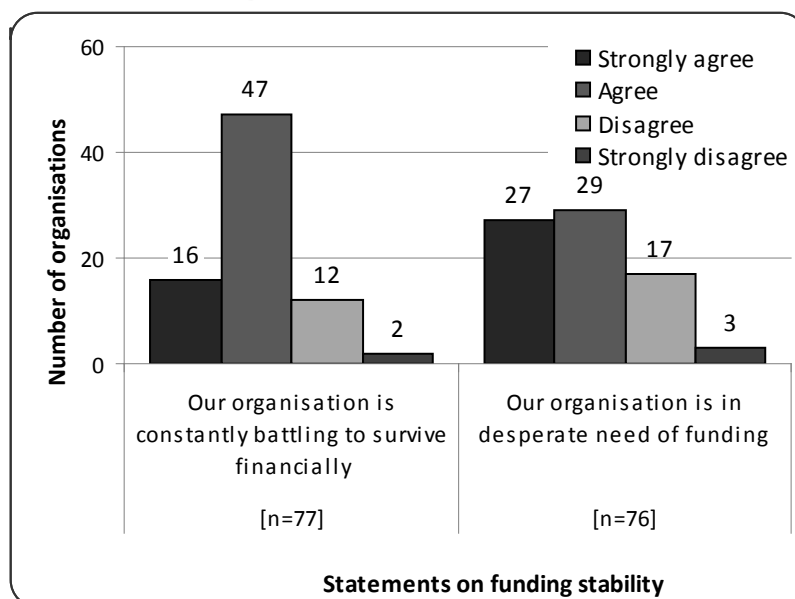
## 4.7 Perceptions of fundraising issues

For the final section of the questionnaire, respondents were asked to respond to statements pertaining to fundraising issues within their organisations and the external funding environment. Each statement allowed a response of one of four likert-scale statements of *strongly agree*, *agree*, *disagree* and *strongly disagree*. Statements alluded to funding stability, funding ability, internal resource allocation for fundraising, state and other funding sources, competition for funding, donor requirements, and relationships between SSOs and their national bodies.

### 4.7.1 Funding stability

Over 80 percent of respondents agreed or strongly agreed that their organisations were constantly battling to survive, while only two organisations strongly disagreed with this statement. A slightly smaller percentage (73.7 percent) of respondents agreed or strongly agreed their organisations were in desperate need of funding. Only three respondents indicated that they strongly disagreed with that statement, two of which had also strongly disagreed with the former statement. Graph 4-54 shows the extent to which respondents agreed or disagreed with these statements. There was a strong relationship between responses to these two statements, with a Spearman correlation coefficient of 0.683 ( $n=76$ ) emerging between these variables, which was significant at the 0.01 level. These responses suggest that the overwhelming feeling amongst nonprofit organisation staff was that their organisations were cash-strapped and financially unstable.

**Graph 4-54: Responses to statements on funding stability**

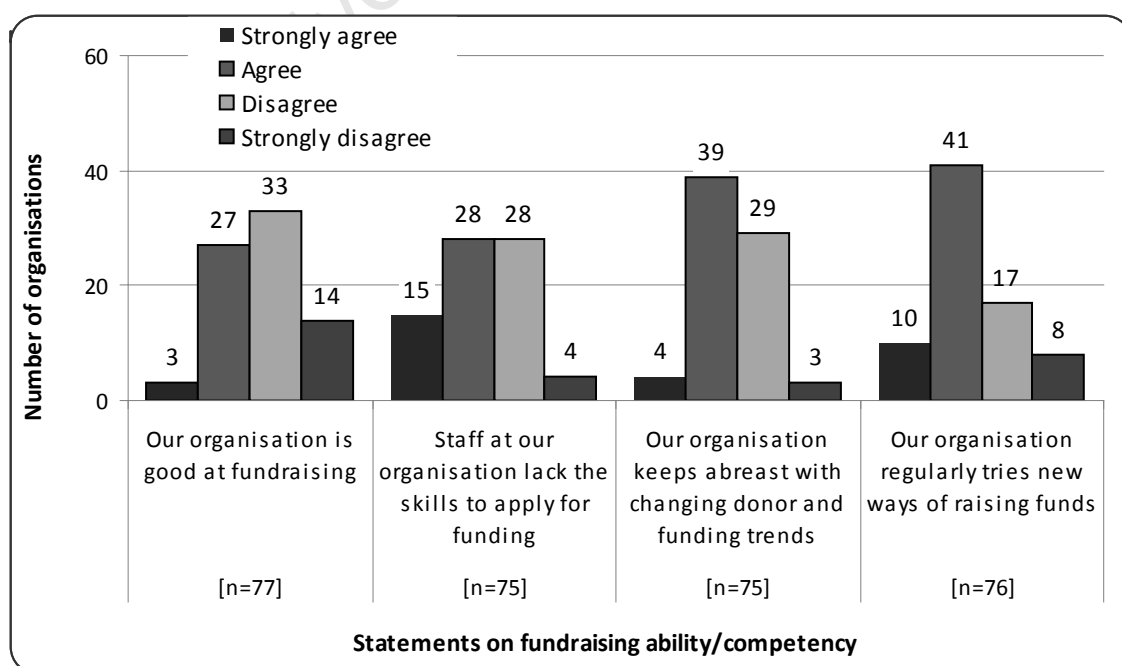


However, based on the findings discussed above (where a correlation could not be found between organisations' perceived and actual financial situations), there may not have been reason for these feelings based on organisations' financial data. A Spearman correlation analysis was conducted and confirmed that there were no significant relationships between either of these statements and organisations' defensive ratios.

#### 4.7.2 Fundraising ability

This category of statements dealt with organisations' own abilities to generate income through fundraising activities. Over 60 percent of respondents disagreed or strongly disagreed that their organisations were good at fundraising, while only three respondents strongly agreed with this statement. A similarly negative picture emerged with regards to staff fundraising skills, with only four respondents strongly disagreeing that their organisations' staff lacked the skills to apply for funding. Applying for funding is arguably the most important fundraising skill with which fundraising staff need to be equipped, and not having able personnel in this area of work would be a large obstacle to financial security within organisations. These responses indicate that although most organisations reported vulnerable financial situations, many of these organisations were aware of their skills shortages in relation to generating income. More than half of respondents (57.3 percent) agreed or strongly agreed that their organisations kept abreast with changing donor and funding trends. The remaining response in this category revealed some more positive results, with over two thirds of respondents agreeing or strongly agreeing that their organisations regularly tried new ways of raising funds. Graph 4-55 illustrates the above responses.

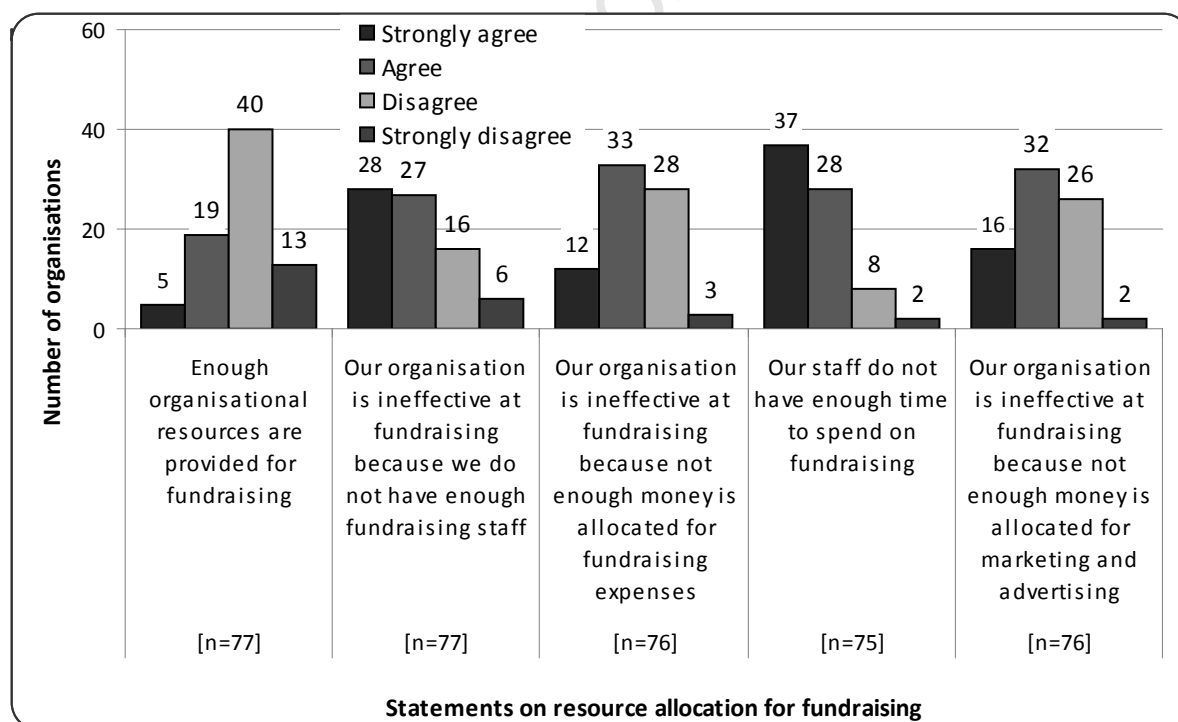
**Graph 4-55: Responses to statements on ability/competency**



### 4.7.3 Internal resource allocation for fundraising

Organisations may have the necessary skills and abilities to comfortably ensure that their funding requirements are met, but without allocating sufficient finance and staff working hours to this task it may not be possible to perform fundraising activities at the right level. The responses to these statements are illustrated in graph 4-56. Predictably, only 31.2 percent of respondents agreed or strongly agreed that enough organisational resources were provided for fundraising (only 6.5 percent strongly agreed). Responses to the subsequent statements helped to clarify the nature of this insufficient resource allocation. 71.4 percent of respondents agreed or strongly agreed that a reason for their fundraising ineffectiveness was due to having too few fundraising staff, while fewer respondents (59.2 percent) responded similarly to the problem of not enough money being allocated for fundraising expenses. Far fewer respondents strongly agreed with the latter statement. An almost identical pattern of responses was recorded for the statement of fundraising ineffectiveness being a result of insufficient money being allocated for marketing and advertising. To add more weight to the responses on fundraising staff shortages, the overwhelming majority (86.7 percent) of respondents agreed or strongly agreed that their organisations' staff did not have enough time to spend on fundraising. Resource allocation for fundraising – particularly when it comes to fundraising staff capacity – is clearly a major issue that concerns SSO staff. This is supported by the findings on fundraising staff employment rates discussed in section 4.4.3.2.

**Graph 4-56: Responses to statements on resource allocation for fundraising**



It was found that there was no clear division of perceptions between respondents whose organisations employed fundraising staff and those whose organisations did not employ fundraising staff. No definite relationship was found to have existed between the variables. A Spearman correlation coefficient for the two variables of perceived of fundraising staff deficiencies and actual employment of fundraising staff fell very close to zero, hence indicating an absence of a definite relationship. This indicates that



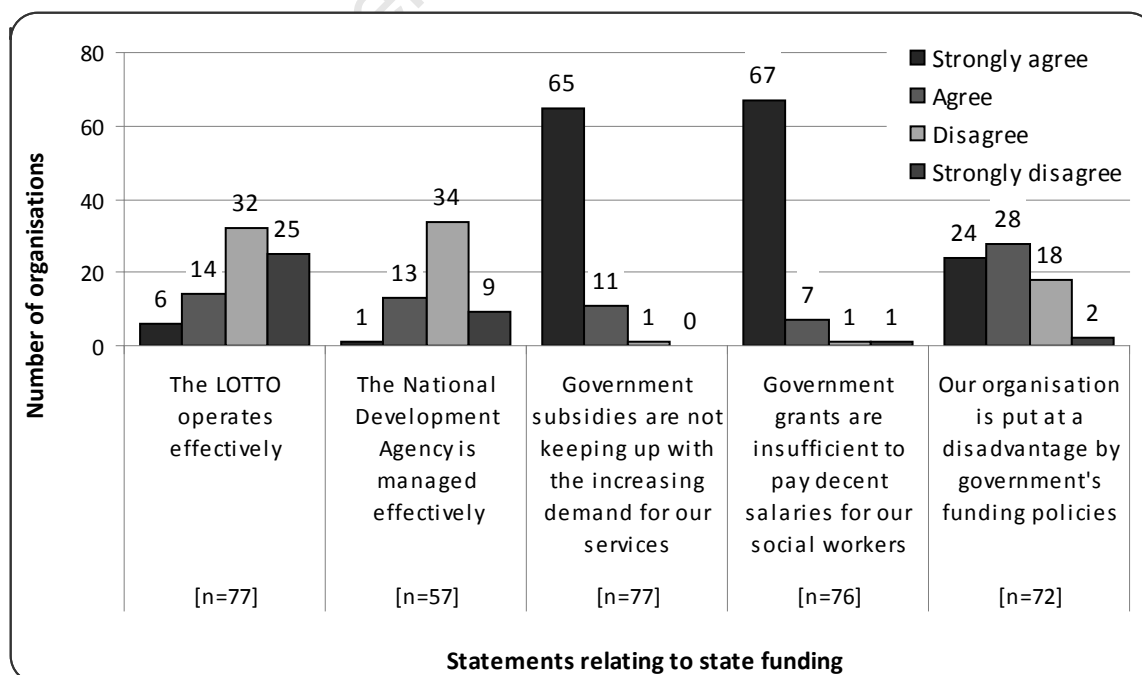
respondents from organisations that employed fundraising staff did not necessarily feel that they had sufficient fundraising staff, and that respondents from organisations that did not employ fundraising staff did not necessarily feel that their absences of fundraising staff were much of a problem.

When proportions of fundraising staff to total organisational staff was taken into account it was again found that there was no significant correlation between these two variables. Ratios of full-time fundraising staff to total organisational staff were calculated for organisations that employed fundraising staff, and a Spearman correlation test was conducted between these ratios and the corresponding organisations' perceptions on the severity of the problem of insufficient fundraising staff. The resulting Spearman correlation coefficient of 0.286 (n=14) was too small in relation to the sample size to have indicated that a strong relationship existed at the 0.05 level.

#### 4.7.4 State funding and funding from state agencies

Similar responses were recorded for statements relating to the effective operating and management of the LOTTO and National Development Agency, with an overwhelmingly negative perception of these state entities being revealed. The most consistently definite responses were recorded for statements on the sufficiency of government funding to keep up with service delivery needs and to enable decent social worker salaries to be paid. Only a handful of respondents did not strongly agree with each statement. Most respondents also felt that their organisations were put at a disadvantage by the government's funding policies, with 72.2 percent either agreeing or strongly agreeing with this statement. The picture that emerges here is one of dissatisfied SSO staff who feel that state funding mechanisms are not well run and do not provide their organisations with the funding that they desperately need. Graph 4-57 reveals how respondents felt about these issues.

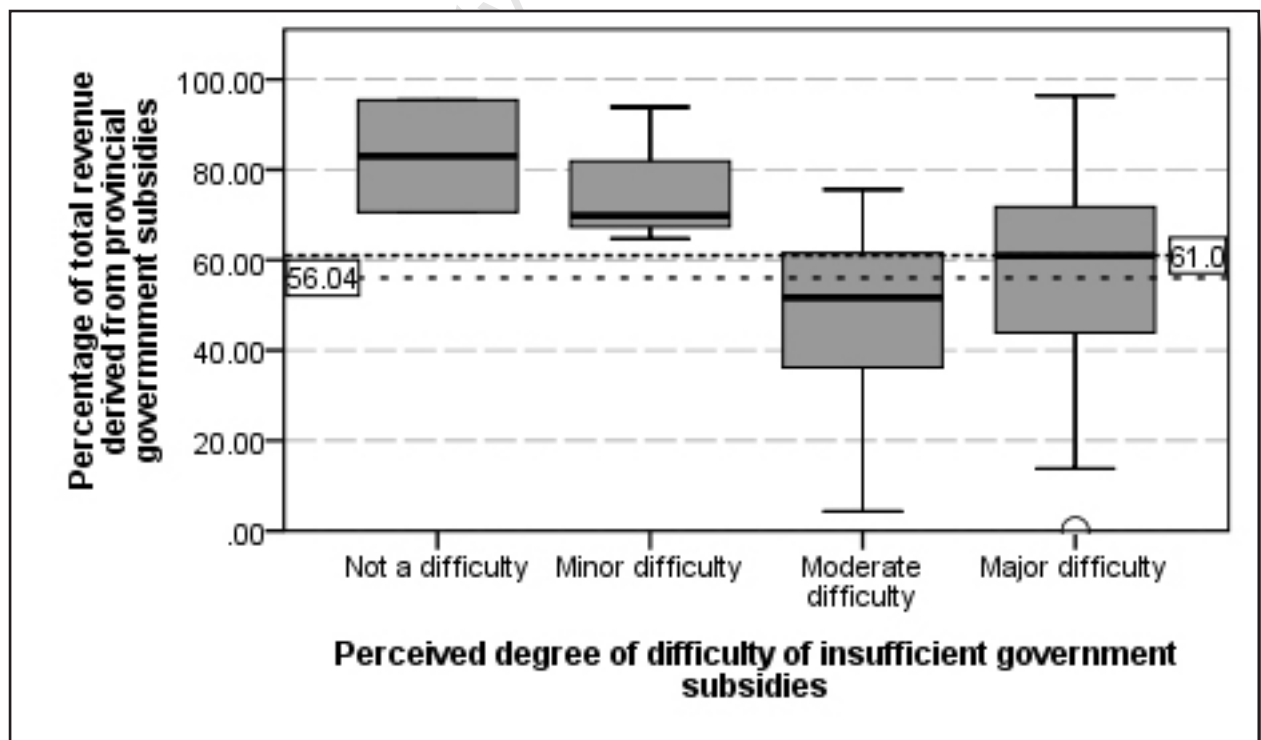
**Graph 4-57: Responses to statements relating to state funding**





The researcher sought to ascertain whether there was any concrete basis for the perceptions relating to insufficient state funding as presented here and earlier in the report. Graph 4-58 illustrates the spread of organisations' percentages of total revenue derived from state subsidies, in relation to organisations' perceived degree of difficulty of the issue of insufficient government subsidies. The figure reveals that there was no definite pattern for these variables. Organisations that perceived the issue of insufficient state subsidies to have been a minor difficulty or not a difficulty were found to have received relatively high percentages of their total revenues as state subsidies, and their perceptions therefore appeared to have been based on measurable financial data. However, organisations that perceived the issue to have been a moderate or major difficulty had very broad spreads of percentages of total revenue derived as state subsidies. The median percentage for those respondents who indicated that the issue was a major difficulty lay less than ten percent lower than the median for respondents who felt that the issue was only a minor difficulty. This indicates that, while there were some organisations that received very little state funding and were justifiably concerned about that issue, fifty percent of respondents' organisations who felt the issue was a major difficulty were actually receiving over 60 percent of their income through state subsidies, with some receiving almost all of their income as subsidies. The absence of a relationship between perceived degree of difficulty of insufficient state subsidies and actual income derived as state subsidies was supported by a Spearman correlation of 0.001 (n=66) which revealed there to have been no such relationship at the 0.05 level.

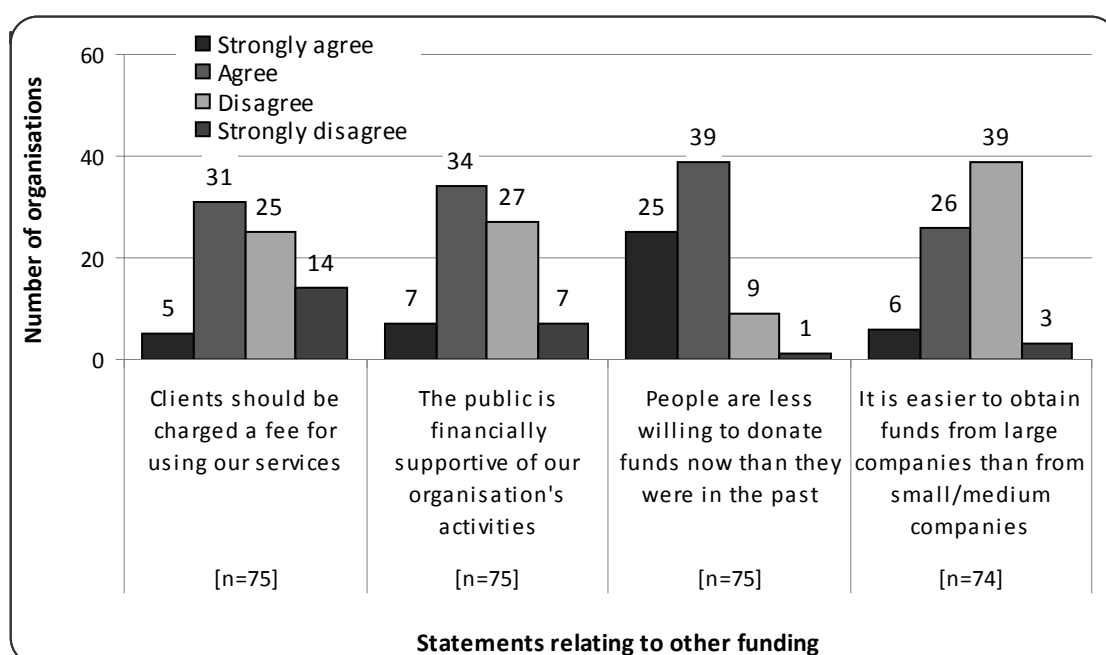
**Graph 4-58: Spread of percentage of total revenue derived from provincial government subsidies, according to respondents' perceptions on the degree of difficulty of insufficient government subsidies**



#### 4.7.5 Other funding

Very few respondents (6.7 percent) strongly agreed that clients should be charged fees for making use of social services, but 41.4 percent agreed that this should occur. A similar pattern of responses was recorded for the statement of the public being financially supportive. Respondents were almost completely in agreement or strong agreement that people are less willing to donate funds now than they were in the past, with 85.3 percent responding accordingly. The majority of respondents (52.7 percent) disagreed with that statement that it is easier to obtain funding from large companies than from small/medium companies, while 35.1 percent agreed with the statement. Graph 4-59 illustrates these perceptions.

**Graph 4-59: Responses to statements relating to other funding**

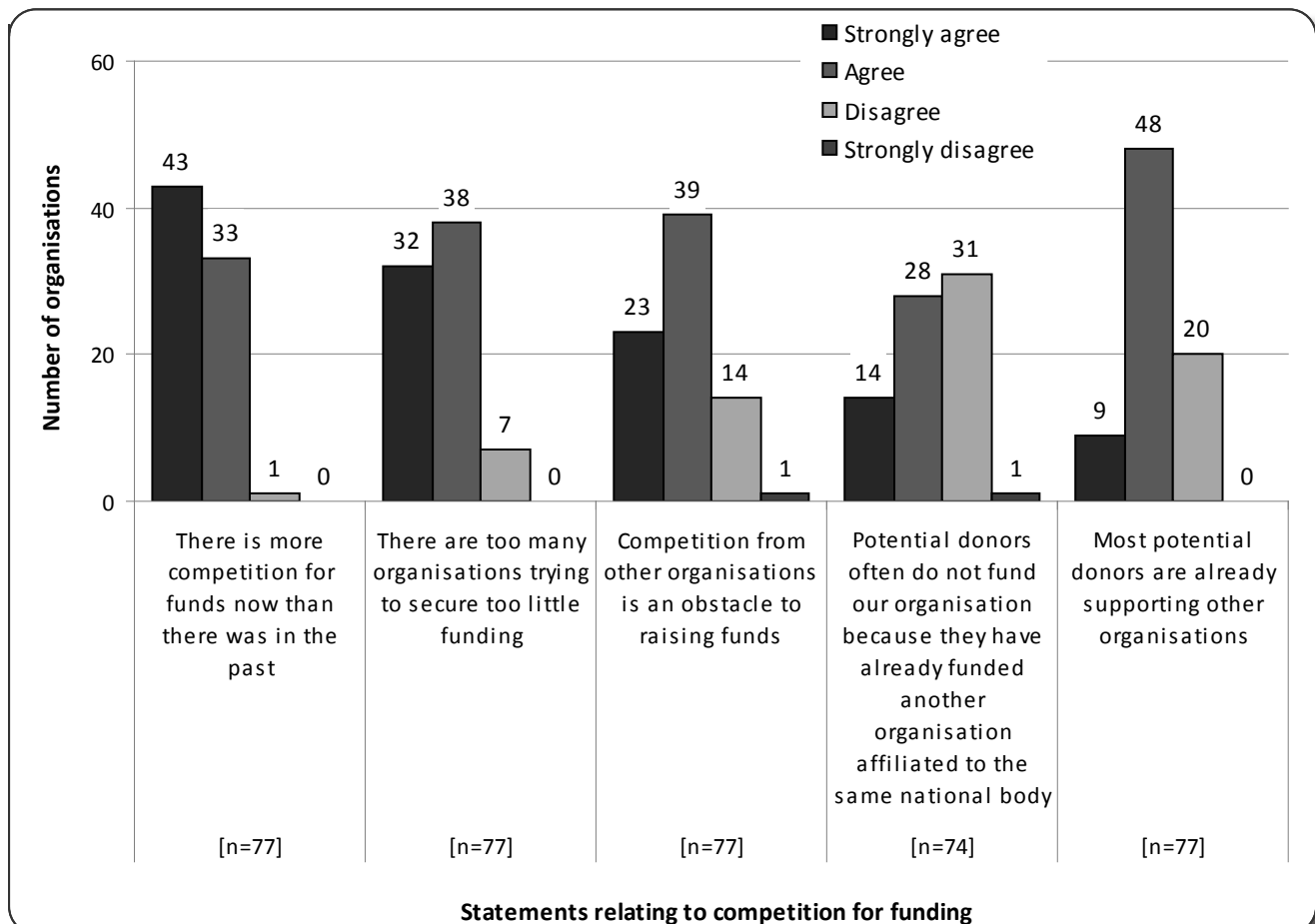


#### 4.7.6 Competition for funding

Not surprisingly, almost every respondent agreed or strongly agreed that there was more competition for funds now than there has been in the past. Only one respondent disagreed with that statement, while 55.8 percent of respondents strongly agreed. A similar response trend was evident for the statement that there were too many organisations trying to secure too little funding, with only seven organisations disagreeing with the statement and the rest fairly evenly split between agreeing and strongly agreeing. Most respondents felt that this competition for funding had an adverse affect on their abilities to secure funding for themselves. Over 80 percent agreed or strongly agreed that competition from other organisations was an obstacle to raising funds. Similarly skewed results were found for the remaining two statements within this category. It is evident that organisations are aware that they are competing for a limited pool of funding, but this competition is not necessarily a bad thing. Just like within the

business sector, competition should drive organisations to become more effective and efficient in their social service delivery. Organisations need to make sure that they are worthy recipients of donor funding and that money is going to be wasted. By the same token, donors need to ensure that their selection criteria are based in large part on organisational effectiveness and efficiency, and that they don't just target popular causes. Graph 4-60 shows how respondents responded to these statements.

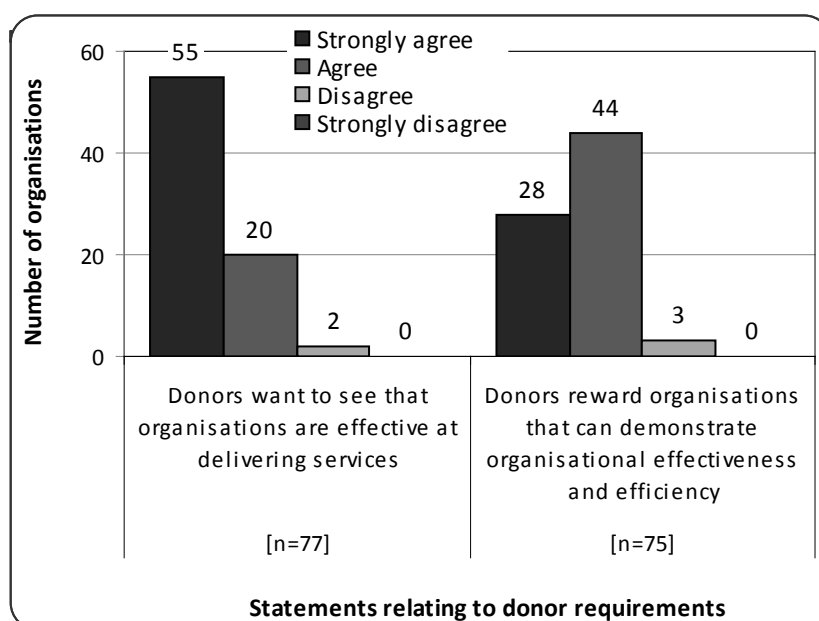
**Graph 4-60: Responses to statements relating to competition for funding**



#### 4.7.7 Donor requirements

A massive 71.4 percent of respondents strongly agreed that donors want to see that organisations are effective at delivering services, with only 2.6 percent disagreeing with that statement. Similarly, only four percent of respondents disagreed that donors rewarded organisations that could demonstrate organisational effectiveness and efficiency, while the remaining respondents either agreed or strongly agreed. If respondents' perceptions are accurate – that organisational effectiveness and efficiency are important criteria for receiving funding – then it can in fact be argued that competition for funds can be seen as a positive step towards forcing SSOs to become more professional and planned in their functioning, so that they would be better positioned to meet donor criteria. These responses are shown in graph 4-61

**Graph 4-61: Responses to statements relating to donor requirements**



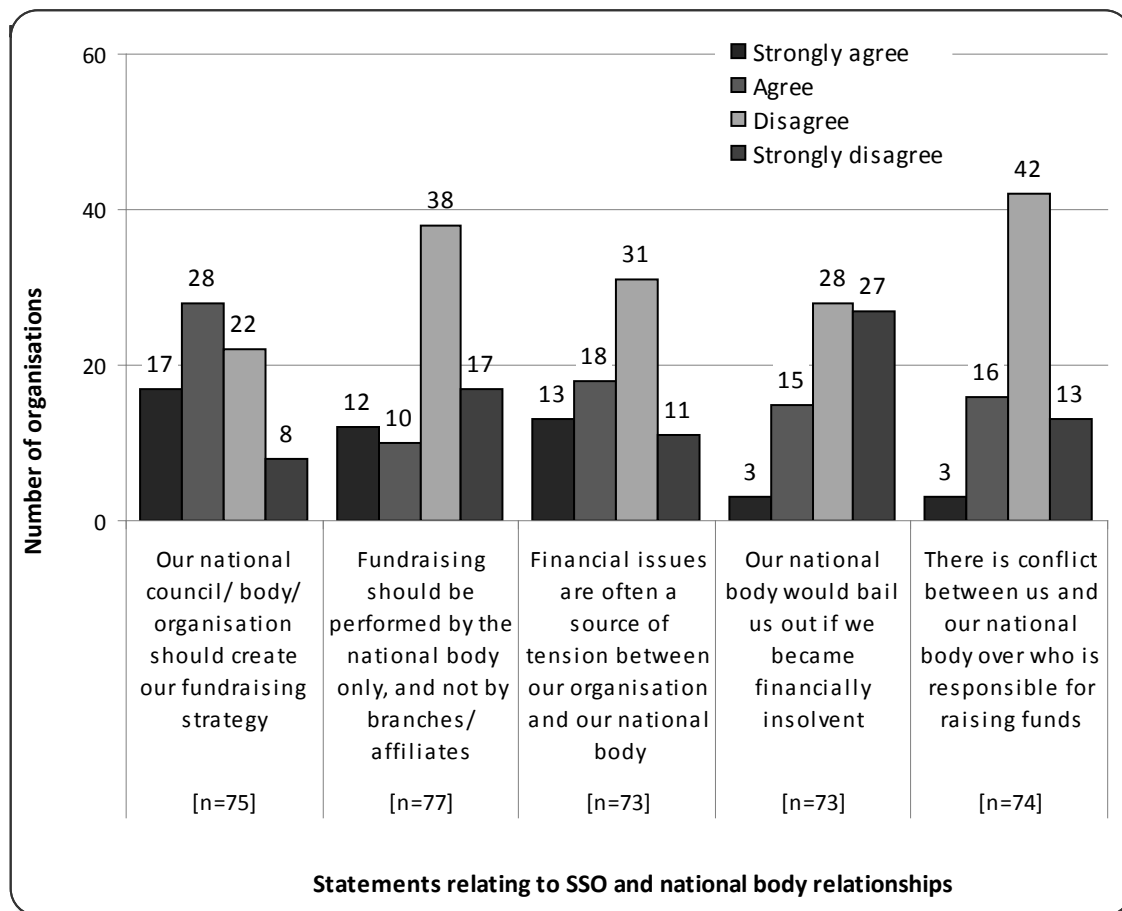
#### 4.7.8 Relationships between SSOs and national bodies

The researcher was interested to ascertain whether any tensions existed between SSOs and their national bodies when it came to fundraising and the distribution of funds. The researcher believed that such tensions might exist, especially in the cases of smaller SSOs that were only staffed by several service provider professionals. There was a fairly even spread of perceptions on whether organisations' national bodies should create SSOs' funding strategies, with slightly more respondents agreeing or strongly agreeing with the statement. Far fewer respondents agreed or strongly agreed that fundraising should be performed only by national bodies, with 71.4 percent either disagreeing or strongly disagreeing. Responses for the third statement of this category indicated that slightly more organisations felt that financial issues were often a source of tension between SSOs and their national bodies. Respondents were in disagreement regarding the statement that their national bodies would bail them out if they became financially insolvent, with just over two thirds disagreeing or slightly disagreeing. There did seem to be a large amount of agreement over which entity was responsible for raising funds, as just under two thirds of organisations disagreed or strongly disagreed that conflicted existed between SSOs and national bodies over this responsibility. Graph 4-62 shows how respondents felt about these statements. From these results it seems that organisations were generally content with their fundraising arrangements with their national bodies, but that they would mostly prefer for their national bodies to provide them with strategic direction for their fundraising.

This finding goes some way to help to contextualise the evident lack of capacity that organisations have in implementing comprehensive fundraising operations. It appears then that many organisations were aware of their problems involved in their fundraising systems, but lacked the capacities to improve and develop these systems. National bodies were thus seen as potential sources of guidance and assistance in developing SSOs' fundraising competencies. However, as was found earlier in this report, national bodies fared no better than their affiliates and members when it came to demonstrating fundraising efficacy and thorough engagement with fundraising-related measures of performance. It supports

Lotvonen's (2005) study that revealed that organisations wanted their national bodies to have been more involved in their fundraising matters.

**Graph 4-62: Responses to statements relating to SSO and national body relationships**



## 4.8 Conclusion

This concludes the chapter presenting and discussing the more pertinent findings that emerged from the data collected in this research. The state of fundraising and fundraising-related practices within the social service sector in South Africa can now be understood more clearly based on these findings, and can be contextualised against other literature and studies relating to this field. In the following chapter, conclusions and recommendations shall be made based on the findings already discussed, and the researcher's own interpretation of the data. From these conclusions and recommendations, as well as from the findings already discussed, it is hoped that organisations and fundraising practitioners have a further point of departure from which to improve and develop the practice and culture of fundraising.

## Chapter 5 Conclusion and Recommendations

In this final chapter, conclusions and recommendations shall be made based on the findings already discussed, and the researcher's own interpretation of the data. The most pertinent outcomes of the research shall be elaborated on. The researcher shall provide insights into the data based on his own interpretation, and shall suggest ways in which practitioners and organisations can move forward in the development and growth of the fundraising discipline. He shall also suggest further avenues of research that can be followed in order to improve on the knowledge of fundraising management already generated through this and other studies.

### 5.1 Key findings emerging from the research

The researcher identified four key findings that emerged from this study. These findings have been generalised and do not necessarily hold true for all respondents. The key findings are as follows:

- 1) Organisations had not been focussing enough, if any, attention on the evidently crucial function of fundraising management, including (but not limited to) the monitoring and evaluation of fundraising effectiveness and efficiency, the strategising and planning of fundraising-related activities and the human resources for fundraising.
- 2) There is a desperate need for strong leadership in fundraising-related matters. There is currently insufficient guidance and assistance from which organisations can draw vital skills and knowledge relating to fundraising.
- 3) Organisations want government departments to fund their complete operations. This is not currently happening, and will not likely happen in the future. South African SSOs appear to be highly attached to state funding. The researcher interpreted this attachment as leaning towards a sense of entitlement.
- 4) The generating of revenue for NPOs needs to become a less of a grovel and more of a business-like transaction, performed within the context of corporate-like organisational functioning.

These findings shall be discussed in more detail below.

#### 5.1.1 Lack of management of the fundraising function

Various findings that emerged from the data indicated that organisations were generally not engaging with their fundraising-related activities to the point where these activities were integral cogs of their organisational machines. The primary indicator of this lack of fundraising management was the inaccurate reported fundraising-related financial data. If more organisations had been placing the necessary time and energy into these matters then the researcher believes the accuracy rate for this data would have been significantly higher. The financial calculations that were being requested by the researcher would have been easily accessible for organisations that had been keeping up to date with the finer details of their fundraising income and expenditure. However, organisations that had not been familiar with these measurements and indicators would have struggled to calculate these figures without having first set up mechanisms and systems to record these figures. The result was that respondents' perceptions

of many of their fundraising-related issues were not actually based on calculations and real observed financial figures. The researcher would argue that if organisational staff were to manage their fundraising functions more thoroughly, then they would better understand their organisational mechanisms as a whole, as many organisational features would be direct results of the effects of financial variables on organisational resources.

The finding that reported fundraising financial data had been largely inaccurate was consistent with the results of studies conducted by Pollack and Rooney (2003), Bedsworth, Gregory and Howard (2008), and Hager (2003). Their results indicated that staff from nonprofit organisations would frequently misrepresent organisational expenditures when required to provide these figures as part of mandatory annual US state monitoring of NPO finances. Hager (2003) found that organisations would show fundraising expenses that were often completely implausible and unrealistic, mostly leaning towards severe under-reporting of fundraising expenses. Pollack and Rooney (2003) similarly found that organisations were not making accurate distinctions between administrative and direct service expenditure, and that a large proportion of organisations were found to have reported that their administrative expenses were either grossly under- or over-reported. Bedsworth, Gregory and Howard (2008) found that organisations would frequently under-report their administrative expenses for the purpose of appearing to be more efficient, and thus having a higher likelihood of attracting donor funding.

Brooks (2005) did not conclude in his research that organisational spending on fundraising had been significantly misrepresented, but a closer analysis of his results reveals that proportional organisational expenditure on fundraising was unrealistic in many cases. Many organisations in his study showed fundraising efficiency as a function of organisational expenditure ratios that tended towards absolutely no money being spent on fundraising. Brooks did however bring attention to the issue of inaccurate reporting on fundraising expenditure, and advised that his results should be viewed and used with caution.

The findings further suggest that donors may be running the risk of receiving inaccurate financial figures in fundraising proposals and in feedback after having donated to organisations. It was beyond the scope of this research to ascertain the degree of trust that donors placed in their recipient organisations' reported effectiveness and efficiency figures, but this may be an area to explore further. If donors really are serious about rewarding organisations that can demonstrate effective and efficient service delivery, then it may be a point of concern that the majority of respondents in this study did not provide accurate measurements of these variables. Bedsworth, Gregory and Howard's (2008) findings suggest that organisations' reported figures were not being scrutinised to the degree required to evaluate their accuracy, and the researcher would argue that this is likely the case for many organisations that participated in this study - despite the widespread rhetoric pertaining to organisational efficiency.

Management of the fundraising function is not limited to the calculation of financial ratios and statistics. The general lack of strategy and planning amongst organisations is a serious concern, and if rectified would result in vastly improved fundraising performances for organisations. The widespread lack of dedicated fundraising staff and fundraising committees hints at an oversight regarding the human resources management of fundraising functions. If only the areas of human resources, planning and



strategising, and monitoring and evaluation were paid more attention by organisations that were struggling with their fundraising, organisations would be able to significantly improve their abilities to secure revenue for their continued operation.

Regarding the human resources side of fundraising, the researcher would argue for the employment of a fundraiser for all organisations, based on the findings of the study and the literature reviewed. In the cases of smaller organisations this expense may not necessarily be required or justified given the lack of need for the amount of funding that a fundraiser would be able to generate, but the researcher has developed a possible fundraising structure that smaller organisations would be able to adopt by collaborating with other small organisations. This shall be presented in section 5.2.

From the findings in the study, and from other reviewed literature, organisations would benefit greatly from investing initial funds and time in employing fundraising staff and in establishing the mechanisms indicated in section 5.3.1. Key to this investment would be the employment of a full-time fundraiser who would be able to spearhead the establishment of fundraising-related systems and practices within the organisation.

The concept of employing dedicated fundraising staff can pose a dilemma for many SSOs. For an organisation to employ dedicated fundraising staff they must spend more on administrative functions - meaning that their organisations decrease their efficiencies as a result. For organisations that are already cash-strapped (or perceive themselves to be cash-strapped) this means that precious funding must be spent on non-core activities rather than on direct service delivery. As discussed in section 3.4.2.6, NPOs can be quite conservative in their approaches towards income generation through business-like activities (Holloway, 2001). NPOs can often feel entitled to donor funding purely due to the fact they perceive their services to be essential for poor and marginalised communities (Smit, 2005; Kraak, 2001), and as such there can be resistance to becoming more proactive in raising funds. However, the current funding climate no longer supports organisations purely because the organisations exist and are providing necessary social services. Holloway (2001) suggest that a certain measure of proactivity and investment in the function of seeking funds must be initiated by organisations if they are to continue to provide their services that are in fact needed by poor and marginalised communities. In this sense NPO operations are becoming more business-like by default. Just as corporations must invest some of their resources in marketing and promotions if they are to sell their goods and services, NPOs must invest some of their resources in marketing and promoting their own services in order to attract donors.

As discussed previously, organisations that employed fundraising staff had higher mean staff numbers and were more likely to have ended the financial year with either a minimal surplus or deficit. These findings suggest that larger organisations are able to justify the expenses required to employ additional members of staff for the purpose of raising funds, and that organisations that employ fundraisers may be more likely to meet their required fundraising targets than organisations that do not employ fundraising staff. The researcher feels that the benefits of investing in dedicated fundraising staff far outweigh the costs of not employing fundraising staff. This is due to fundraising staff's function of generating income for the organisation. Once a fundraiser is employed by an organisation, that fundraiser would work towards meeting whatever fundraising targets might be required, which would - assuming the fundraiser

is competent and the target has been set to be achievable and realistic - mean that employing fundraising staff would not burden the organisation financially in the medium term. The only unavoidable obstacle that might present itself in the setting up of such an arrangement would be that short-term funding might not be available to sustain an extra member of staff for the duration of time that it would take before the new fundraiser begins to bring in income as a result of her or his efforts.

Competent fundraisers would also be able to create and implement fundraising strategies, plans and forecasts that would enable them, and their organisations to achieve their funding targets. The positive relationships between fundraising effectiveness and fundraising strategies, plans and forecasts were only suggested in the findings this research, and were not shown to be definitive. However, the virtues of these plans and strategies have been supported and promoted by other authors (Cook, 2002; Cuthbert, 1992).

### **5.1.2 The need for leadership**

National bodies fared no better than their affiliated organisations or members when it came to demonstrating comprehensive fundraising management capacities. SSOs were found to have been seeking guidance and support from their national bodies regarding fundraising-related matters, yet without highly skilled and experienced national bodies they will not be able to receive this support and would have to look elsewhere. Receiving support and guidance from external organisations and bodies need not be seen as a negative move for SSOs, as it may make sense for organisations that specialise in fundraising matters to become the foci of fundraising and training. However despite the great efforts and dedication of some bodies conducting fundraising training and skills development, the researcher does not feel that there is a body that is able to provide widespread and sustained fundraising support to the large number of organisations that require this support.

What the researcher is suggesting is not that staff are sent on the odd fundraising workshop (which would in fact be a valuable thing to do), but rather that a comprehensive system of fundraising mentorship is established. The researcher feels that this would be most effectively and easily be enacted by existing national body/SSO structures, as these networks are already firmly established and often structured along geographical lines. However, national bodies would need to seriously improve their own fundraising management performances before embarking on such an endeavour.

In the absence of a network of national bodies that are able to provide their affiliated or member SSOs with fundraising mentoring and skills development, the researcher feels that the next best source of fundraising mentorship would be donors themselves, whether from government, the private sector or from funding intermediary positions. All donors - and in particular the Department of Social Development - would benefit by funding SSOs that are highly competent at generating large amounts of funding from other sources, as this mean that their overall services would likely be greater in volume and quality with the addition of additional funding. Donors that assisted their funded organisations to become more self-sufficient would also be less likely to have their funded organisations and their projects close down or diminish due to funding constraints. Donors, being acutely aware of what they require in funding proposals and in organisations' structural make-up (including monitoring and evaluation systems,

sustainability plans, etc.) would be ideally positioned to share their experiences from the grantmaking side with nonprofit organisations. Logistically, however, the suggested widespread and comprehensive mentoring programmes that would be operated by these entities would be very difficult to manage. SAIF might also be a good candidate for providing extensive fundraising mentoring and training for NPOs, but the evident low rate of fundraiser membership to this body suggests that they do not already have a strong foothold within the local fundraising environment. They would need to increase their exposure and their members, and develop a strategy for working directly with NPOs instead of just with fundraising practitioners, in order to have a widespread impact on organisations' abilities to raise funding for themselves.

### **5.1.3 Changing attitudes towards state funding**

The researcher is of the opinion that organisations that participated in this study were in all but a handful of cases far too reliant on state funding as their principle funding base. The researcher perceived organisations to have been almost resentful in many cases that the state had not taken care of their complete funding needs, even in cases where organisations were receiving massive proportions of their revenue from government sources. As mentioned earlier, the study did not interrogate organisations' expectations of government as far as funding was concerned, but the researcher would suggest that many organisations thought that government should fund their operations and projects in their entirety. The researcher would argue that SSOs should rather view government funding arms in the same way as they would view other donors - without entitlement and as a potential source of funding. If organisations shed their sense of entitlement to state funding, and instead integrate state funding into over-arching funding strategies and plans, they would find that their funding bases would become more diverse - and more stable as a result. This argument goes further to suggest that SSOs should not view their work and activities as work that the state should be doing, but instead should adopt the stance that their organisations have formed for the benefit of their client communities and under the auspices of self-determination of services. In this way they could still plan for their respective service provision as if it could operate in a nonprofit vacuum devoid of state activity. After all, state funding policies and practices have been shown to be fickle and inconsistent at times (Lotvonen, 2005, Smit, 2005, Adams, 2006), which means that NPOs should anticipate and prepare for sudden changes in government funding distribution that may involve sudden and significant decreases in revenue.

The researcher would suggest that SSOs should treat state funding sources as any other source of funding, and that they should not rely on this source of funding at all. If this were done, the funding from government sources would continue to be given to organisations to various extents while organisations focused on obtaining revenue from other sources as well. This would result in an all-round increase in revenue which could be used to develop reserve funds or as a means of extending and/or improving services.

#### 5.1.4 Developing more business-like approaches to revenue generation

Organisations made it crystal clear that the issue of many organisations seeking apparently limited funding was a significant factor that influenced their fundraising successes. The notion that donors require organisations to perform to stringent and specific reporting procedures was also supported by the findings of the study. Both of these findings lead the researcher to believe that organisations would benefit from approaching their fundraising activities in a more business-oriented manner, as these two factors (accountability to donors and competition for funds) can be compared strongly to concepts that are prevalent within the private sector.

NPOs' accountability to donors and to their client communities can be viewed in the same light as companies' accountability to shareholders and to their customers. On the receiver end, SSOs are duty-bound to provide effective and appropriate social services to their client communities. A failure to do so would result in client dissatisfaction, which would impact organisations' abilities to appease donor requirements and hence their abilities to receive funding and continue to exist. In the same way, corporations that do not provide goods or services of the correct quality, price and requirements of consumers would fail to make any profits if customers were dissatisfied and did not purchase these goods and services. Shareholders would take management to task in a similar way to how donors might take beneficiary NPOs to task. The way for both types of entity to prosper would be to ensure that goods and services provided to client communities and customers are of an acceptable standard and are based on the needs and requirements of the end users.

However, the above argument does not take competition into account. In the private sector, corporations must compete with their counterparts to ensure not only that their goods and services are of the best quality and price, but also that their brands are marketed more effectively than their competitors' brands. This is a mindset that can be adopted by organisations if they are to become more financially viable and stable. If competition for funding is indeed a serious issue, organisations would do well to market themselves to donors to ensure that donors perceive their "brands" more favourably than other organisations' brands. At the same time, organisations that are providing cheaper and better quality services than their "competitors" would be favoured over organisations offering lesser-quality, more expensive social services.

The researcher's suggestion that NPOs should encourage more business-like practices supports Holloway's (2001) argument that the NPO sector needs to become more business-like in order to survive. The word survive is commonly used in describing many NPOs' seemingly fragile existences, but this does not always have to be the case. The private sector also uses the word survive at times to describe businesses avoiding bankruptcy, but generally the aim of operating a private business is for the business to thrive and to become prosperous. Any manager of a business is surely set for mediocrity if her or his primary objective for the business is for it to merely survive. So why should the NPO sector be any different? It is surely possible for NPOs to thrive and prosper financially, and this would require an appropriate mindset from organisations' management, boards and fundraising staff. The ultimate beneficiaries would certainly be NPOs' target communities, and this is certainly a valid reason for organisations to strive for financial prosperity.

The researcher feels that organisations' perceptions of too many organisations trying to secure too little funding would be challenged if they engaged with their fundraising functions in a more thorough and business-like manner. It was evident that organisations were only tapping into a few sources of fundraising revenue. The researcher would argue that a more comprehensive approach to revenue generation would result in a perceived increase in available funding as more sources of funding and methods of generating income would be discovered.

## **5.2 A possible fundraising structure for adoption by small organisations**

Based on the researcher's argument for the employment of fundraising staff as an positive and relatively risk-free move towards financial security, a possible fundraising structure has been developed for suggestion that it be piloted by small organisations that would not require a full-time fundraiser amongst their staff. Many of the smaller organisations that participated in this research had relatively small funding requirements (based on their annual expenditures for the 2007/2008 financial year) that would certainly not have justified the need for a full-time fundraiser to be employed. The researcher's fundraising structure has been developed solely with these organisations in mind. These organisations would be too big to survive on odd bits and pieces of funding and ad hoc donations, yet would be too small to have the capacity or the need for a full-time fundraiser.

One solution to this problem may be to employ a half-day or part-time fundraiser, or to outsource the fundraising function, but the researcher would argue that these measures may fall short of meeting many of these organisations' needs. Firstly, organisations may still be too small to accommodate and require a half-day or part-time fundraiser. It may also be possible for part-time and outsourced fundraisers to be working for other organisations at the same time, which could bring conflicts of interest into play.

The researcher would therefore like to suggest that, firstly, the mean fundraising capacity of individuals needs to be calculated. This would enable organisations to contextualise their funding requirements in relation to the capacities of individual fundraisers to meet these targets. These mean capacities could be calculated for different fields of service, locations and provinces. Organisations would then form clusters based on geographical locations or fields of service. A cluster of organisations would be formed by first taking into account the optimum annual mean fundraising capacity of a single fundraiser. The sum of a cluster's organisations' funding requirements would need to approximate the mean fundraising capacity of a single fundraiser. Organisations would therefore form clusters by seeking out other organisations with collective fundraising requirements approximating the mean fundraising capacity of an individual fundraiser.

The clustered organisations would then proceed to formalise the cluster grouping by forming an umbrella body for themselves that would be registered under the Nonprofit Organisations Act (No. 71 of 1997). The board of this umbrella body would be proportionately represented by board members of the cluster's respective member organisations, with an annually rotating chairperson, to ensure that the body would not be dominated by any single member organisation. As an umbrella body, the new cluster of organisations would then employ a fundraiser to raise funds on behalf of all of the organisations involved. The sole purpose of the umbrella body would be to raise funds for its cluster's



member organisations. Individual organisations would pay the umbrella body (and hence the fundraiser) proportionately to their fundraising requirements, and the fundraiser would raise funds for the cluster's respective organisations based on targets that would have been agreed upon by members of the board of the umbrella organisation.

As a positive spin-off from the cluster structure of fundraising presented above, the cluster arrangement would enable organisations to work more closely together regarding their service output, ensuring that services are not duplicated and that organisations' projects become more integrated for the purposes of holistic service delivery. This would be especially relevant if organisations clustered at a local geographical level as opposed to on the level of field of service. In addition to the primary purpose of collective fundraising, the umbrella body could perform member organisations' accounting functions, as such organisations would also be too small to justify the employment of full-time accounting staff.

This suggestion is likely to receive great resistance from the NPO sector. Collaboration between NPOs generally does not happen on any significant scale, and the sharing of fundraising knowledge and information in particular is very uncommon (Cuthbert, 1992). Instead, organisations tend to guard their current donors and resources as if other organisations are trying to steal them away, and NPOs often view their counterparts as competitors rather than partners. Donor attrition is a legitimate concern of NPOs. As was discussed in section 3.4.4, donor retention is a far more efficient practice than is finding new donors, and the clustered fundraising structure suggested here might lead organisations to believe that they would lose out on their current donor funding by having to share it with their cluster partners. On the contrary, the researcher believes that organisations can only gain by sharing and cooperating with each other as far as fundraising is concerned, as collective funding would automatically increase the diversity of organisations' funding bases, and any donor attrition would then be absorbed by the entire cluster rather than by any single organisation.

The researcher has identified two ways in which cluster fundraisers might represent themselves to donors. The fundraiser representing the organisations falling under the umbrella body might outwardly represent him- or herself as an employee of either the umbrella body or as an employee of each member organisation, depending on the needs and agreements of the organisations involved. Through testing and evaluating these two methods of fundraiser representation it would become clear whether one of these arrangements yields better results than the other.

Arrangements between organisations would require explicit written documentation to be formulated. Such documentation would be essential so that unambiguous agreements and arrangements would form the foundations of the cluster arrangement. Member organisations would have to stick to these agreements in order to reduce the possibility of conflict and member fall-outs. Despite the potential for member conflict, the researcher feels that this structure would solve the funding problems of many of the smaller organisations that participated in this study, and by extension any organisation that fits into their size categories. The researcher would like to see this structure being implemented, documented, monitored and evaluated in order to ascertain whether or not the structure really is feasible, and to identify and iron out any problems that might arise.

The language of competition within the NPO sector may appear to contradict the researcher's cluster fundraising structure, as the cluster structure is only argued to be viable if member organisations enter strong cooperative agreements. However, because the focus of the NPO sector lies in service delivery and not in making profits for distribution to shareholders, nonprofit competition can take on a different personality to its corporate counterpart. NPOs, and especially SSOs, rely on each other for integrated service delivery, and as such it is in the best interest of all NPOs that their counterparts continue to provide their services. If organisations therefore aim to improve themselves first and foremost, and then to assist less-developed organisations to become sustainable and viable, then the collective NPO community will become more effective as a whole. As organisations become more financially viable and are based on sound economic principles, so their abilities to generate funding will increase.

This does not mean that organisations' service delivery would necessarily benefit from becoming more business oriented, as this may result in the further exclusion of marginalised communities and individuals from essential social services and resources. However, if the financial and organisational management systems that supported and enabled service delivery to occur were to become more business-like, the researcher would argue that programmes and projects would become more effective and efficient, and would enjoy increased resources and available funding. The researcher would therefore argue that organisations should approach the cluster fundraising structure - and fundraising in general - with the above NPO-business comparisons in mind if they are to maximise their fundraising potentials.

The above structure and approaches suggested by the researcher may appear to be utopian and naive, but the researcher would argue strongly that if a handful of organisations adopt and implement these practical and theoretical tools they would be able to forge a path that other organisations could follow. It must also be stressed that the structure suggested above should be interpreted, adapted and implemented by organisations in the contexts of their specific environments and needs so that it can become most effective to different organisations.

### **5.3 Review of research objectives**

The researcher was able to meet five out of the six objectives outlined in this study. Firstly, the researcher fulfilled the first objective by determining the ability and accuracy with which organisations were able to define their fundraising operations in financial terms, which resulted in the finding that organisations' engagements with their more intricate fundraising functions were minimal or absent. This meant that the second research objective - that of compiling a ranking system based on organisations' fundraising efficiency ratios so that a benchmark of good fundraising practice could be identified - could not be met. This "failure" to meet objective two was in fact a very important outcome, as the researcher was able to determine the work that organisations would need to put into their fundraising functions to get to the level required to be able to calculate their fundraising financial variables accurately. The third, fourth and fifth objectives were met through the presentation of findings relating to organisations' fundraising-related sources, planning and strategising, activities and perceptions, and through comparing these perceptions with what was happening in reality. The sixth research objective was achieved through



the suggestion of a fundraising structure whereby small organisations could make use fundraising staff without taking them on in their full capacities.

## **5.4 Avenues for further research**

Many avenues for further research can come out of this study. To start with, it would be useful if further research could be conducted to establish a benchmark of fundraising efficiency indicators, an objective that was not achieved in this study. It is apparent in hindsight that a much more interactive and intensive process would need to be followed in order to achieve these desired results. Researchers would need to go through organisations' audited financial statements with appropriate staff from these organisations, so that calculations would be unambiguous and accurate. Such research could focus purely on financial calculations without delving into the other fundraising-related areas that were explored in this study. This procedure would not only contribute to the growth of knowledge and understanding within the fundraising discipline, but would also allow organisations to experience hands-on fundraising monitoring and evaluation practices that would contribute to their own growth and development. Once enough research has been conducted to constitute a suitably-sized database of fundraising-related performance indicators, organisations would be able to conduct their own evaluations and compare their performances against the newly-developed norms and standards.

A second concrete avenue of further research could involve subjecting the researcher's proposed cluster structure of fundraising to empirical research, so that the viability of the structure could be determined. The structure could be tested through a structured research process administered by an external actor, who would initiate and mediate the process between participating organisations. If back-up funding is made available for organisations that participate in such an experiment then organisations would not be placing themselves at unnecessary risk by becoming part of an untested fundraising cluster structure. If the structure is ineffective at raising the necessary funding for organisations then the back-up funding could be used to make up any financial shortfalls that may result from the exercise. If the structure is shown to be viable and successful, it would have major implications for smaller NPOs, which would then be able to pursue a direction of fundraising practice that would have the added function of improving the quality of NPO networks and hence holistic social services within communities.

## **5.5 In conclusion**

As the need for social services increases all the time, social service organisations must find innovative ways of generating revenue so that they can improve and increase their service delivery to poor and marginalised communities. This research has resulted in the gathering of some valuable information that can assist nonprofit organisations in general, and social service organisations in particular, in developing their fundraising capacities and abilities. Through the methodologies of calculating fundraising and general organisational efficiency ratios, NPOs can conduct continuous self-evaluation and -analysis, so that their resources can be obtained with increasing efficiency, resulting in larger amounts of funding being made available for direct service delivery. At the very least the researcher would urge organisations that are not currently operating their fundraising activities according to policies, strategies

and plans, to develop and implement these policies. If the collective fundraising ability of the NPO sector is strengthened, the magnitude and quality of services delivered to client communities would follow suit, the results of which would be higher service impacts and fewer marginalised individuals. Fundraising in South Africa is evidently still in its infancy, and there is thus plenty of room for the growth and development of the sector. The researcher believes that if organisations can work together by sharing their fundraising skills and knowledge, and by helping to build other organisations' fundraising capacities, then this would result in a general improvement in all round financial security, and thus in service delivery. At the end of the day, that is why social service organisations exist, and will continue to exist as long as there is a need.

University of Cape Town

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## Appendix A: List of National Bodies supplied by the national Department of Social Development

NAME OF ORGANISATION	NATIONAL DIRECTOR	POSTAL ADDRESS	TELEPHONE NUMBER	FAX NUMBER	E-MAIL ADDRESS
✓ Die Ondersteuningsraad	Dr J F P Engelbrecht	P O Box 2368 Pretoria 0001	012-3228885	012-3227909	<a href="mailto:oraad@nhk.co.za">oraad@nhk.co.za</a>
✓ SA Federation for Mental Health	Mr Solomon Mokgata	Private Bag X46 Braamfontein 2017	011-2429600	011-7255853	<a href="mailto:solly@safermh.org">solly@safermh.org</a>
✓ FAMSA	Dr A van Rensburg	P O Box 2800 Kempton Park 1620	011-9757106/7	011-9757108	<a href="mailto:famsa@global.co.za">famsa@global.co.za</a>
✓ MICRO	Ms S Solomon	P O Box 10005 Caledon Square 7905	021-4221225	021-4221550	<a href="mailto:micro@wn.apc.org">micro@wn.apc.org</a>
✓ ACVV	Ms M Koomhof	P O Box 30990 Cape Town 8000	021-4617434	021-4610074	
✓ SA National Council for Child and Family Welfare	Mr A Kalis	P O Box 30990 Braamfontein 2017	011-3395741	011-3398123	<a href="mailto:cwo@icon.co.z">cwo@icon.co.z</a>
✓ SANCA	Ms S Garda	P O Box 30662 Braamfontein 2017	011-4821070	011-4827187	<a href="mailto:sanca@sn.apc.org">sanca@sn.apc.org</a>
✓ DEAFSA	Mr I Jephtha	Private Bag X04 Westhoven 2141	011-4821610	011-7265873	<a href="mailto:deafsa@icon.co.za">deafsa@icon.co.za</a>
✓ National Council for the Physically Disabled in SA	Mr J H Viljoen	P O Box 426 Melville 2109	011-7268040	011-7265705	<a href="mailto:ncppdsa@cis.co.za">ncppdsa@cis.co.za</a>

✓ Diakonale Dienste	Dr S G Pick	Private Bag X1 Belhar 7502	021-9522151	021-9525806	<a href="mailto:skdd@vgksa.org.za">skdd@vgksa.org.za</a>
✓ AFM Welfare Services	Pastor E Müller	P O Box 890125 Lyndhurst 2106	011-7863130	011-4404892	
✓ Cancer Association	Ms N Gamildien	P O Box 2000 Johannesburg 2000	011-6167662/9	011-6223424	<a href="mailto:ljohnson@cancer.org.za">ljohnson@cancer.org.za</a>
✓ SANEL	Ms K Pahl	P O Box 73 Observatory 7925	021-4473014	021-4485053	
✓ Age-in-Action	Ms W Bryan	P O Box 2335 Cape Town 8000	021-4264249	021-4264290	<a href="mailto:saca@iafrica.com">saca@iafrica.com</a>
✓ SAVF	Ms M Kemp	P O Box 40526 Pretoria 0007	012-3253920	012-3244109	<a href="mailto:savf@mweb.co.za">savf@mweb.co.za</a>

## Appendix B: Preliminary e-mail sent to sample

Page 1 of 1

**blue**

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**From:** "UCT Survey - Brian Killbey" <uct.survey@mani.co.za>  
**To:** <fnda@newton.co.za>  
**Sent:** 02 October 2008 12:46 AM  
**Subject:** fundraising survey

Dear SANCA Far North

The purpose of this mail is to bring to your attention that I will be sending your organisation a questionnaire during the course of next week.

I am conducting a study entitled *Fundraising Within the Welfare Nonprofit Sector* for my Masters degree in Social Planning and Administration at the University of Cape Town. I would greatly appreciate it if your organisation would participate in this survey. A more comprehensive letter shall accompany the questionnaire, which will explain the purpose of the research and the benefits that it will bring to your organisation. This research has been approved by the SANCA national director, who has granted me permission to survey the entire national organisation.

The questionnaire should not take more than an hour to fill in. I look forward to including your organisation in my study, and I hope that you are able to take a little time out from your busy schedule to participate. You will hear from me again next week.

Kind regards

Brian Kilbey  
UCT student number: klbbri001

## Appendix C: Covering e-mail with hyperlink to online questionnaire and additional information

Page 1 of 1

**blue**

**From:** <brian@mani.co.za>  
**To:** <brian@mani.co.za>  
**Sent:** 20 October 2008 09:22 AM  
**Subject:** Target email preview

### **Fundraising Within the Welfare Nonprofit Sector** **A study to determine fundraising effectiveness and efficiency**



Bri  
021  
072  
[uct](#)  
086

Dear {{Name}},

I am conducting a pioneering study on fundraising amongst social service organisations in South Africa, according to my masters degree (by dissertation) in Social Planning and Administration at the University of Cape Town. It would be if you would spare less than an hour of your organisation's time to complete and return a questionnaire on fundraising. By completing this questionnaire you will be providing valuable information that will be of benefit to your organisation and benefit to those who use your organisation's services. You will be sent a summary of the findings once the research and the report finalised.

The questionnaire should be completed by either the director, a senior manager or a senior fundraiser of your organisation. The person who is going to fill in the questionnaire for your organisation, please forward this mail to the person who will fill in the questionnaire. The person filling in the questionnaire must be connected to the internet at all times while she or he is filling it in.

The questionnaire has been created in a user-friendly online format, and is fun to use. You do not need to answer it all at one time - you can fill it in at your convenience.

For a more detailed summary of the study's aims, objectives and benefits to your organisation, please click the following link:

[Find out more...](#)

Please submit the completed questionnaire by no later than 17:00 on Friday 31st October 2008. Your participation is greatly appreciated and we look forward to your response.

Please click on the link to go to the survey:

[Start Survey](#)

Kind regards

Brian Kilbey  
021 864 1082  
072 254 1888  
[uct.survey@mani.co.za](mailto:uct.survey@mani.co.za)  
0865174096 (fax)  
UCT student number: klbbri001

## Appendix D: Additional information provided to sample

Dear #FirstName#,

I am conducting a study entitled *Fundraising Within the Welfare Nonprofit Sector: A study to determine fundraising effectiveness and efficiency* for my Masters thesis at the University of Cape Town. This study is being conducted across the whole of South Africa and it is the first of its kind in the country. It has been designed to paint a complete picture of the state of fundraising amongst social service organisations. There is currently almost no data available that can shed any light onto fundraising in South Africa. It is therefore the purpose of this research to highlight the strengths and weaknesses of fundraising in this country and to identify what can be done to enable organisations to improve their fundraising performance. It is well-known within the NPO social service sector that government subsidies are not increasing to match the growing need for social services. This means that in order to employ more social service provider staff – a necessity if social problems are to be significantly confronted – welfare organisations must use creative methods to find alternative sources of funding. In most cases, this means that extra attention needs to be given to fundraising.

It would therefore be greatly appreciated if you would spare less than an hour of your organisation's time to complete and return a questionnaire on fundraising. The survey should ideally be completed by two members of staff: the director/manager and a member of staff from the finance department (this is explained more in the questionnaire). By completing this questionnaire you will be providing valuable information that will be of benefit to your organisation, and ultimately of benefit to those who use your organisation's services. Please note that for the purposes of this research, only organisations employing at least one full-time social worker are asked to complete this questionnaire. If your organisation does *not* employ any social workers then please reply to this e-mail with "*no social workers*" followed by the name of your organisation in the subject line. This will improve the response rate (and hence the importance of the findings) of the study. Please take a few seconds to do this if your organisation does not employ social workers – it will be of great value. Your organisation will still receive a summary of the findings. **Please note that all provincial/regional branches of national bodies are requested to complete the survey, regardless of whether or not they employ any social workers.**

In addition to creating an ideal fundraising model, the study will produce data that will enable your organisation to compare its fundraising effectiveness and efficiency to other organisations. One of the primary aims of this study is to compile an anonymous rating scale against which organisation can evaluate their own fundraising effectiveness and efficiency. Your organisation will be assigned a random code which only you will be able to identify. You can then compare your own fundraising performance to the rest of the anonymous organisations that participate in the survey. This is an ideal opportunity to assess your organisation's fundraising performance in a comparative manner. This research will therefore help to pave the way towards more effective and efficient fundraising. Should you participate in the study, a summary of the findings will be sent to you once the research has been completed and the report finalised.

The questionnaire has been created in an electronic online format and it has been designed to be user-friendly and quick to complete. You need not complete it all at one time – all of your responses will be saved automatically and you may return to it at any time. To open the questionnaire, please click on the link at the bottom of this e-mail. You must be connected to the internet while you are filling in the questionnaire. Detailed instructions on how to complete the questionnaire are given at the beginning of the questionnaire itself.

In addition to filling out the questionnaire, please send the researcher a copy of your organisation's **annual report and audited financial statement for 2007/2008**. This is a vital component of the study, and the main findings can only be gathered using a combination of the questionnaire and the audited financial statements. Please note that the financial statement will remain *strictly confidential*. Assurance is given that the contents of the audited financial statement will not be disclosed to anyone outside of the research report, and detailed financial information will not be included in the final report. The financial data that does get included in the report will be in the form of ratios and averages rather than exact figures, and the ratios will appear as anonymous. The findings will be published as a Masters dissertation and as an article in an academic journal (which will be co-authored by my supervisor, Professor Andre Smit). I wish to stress that in the final report nobody from outside your organisation will be able to link your organisation with any data that is extracted from your financial statement nor from the data that you provide in the questionnaire.

I have received permission to conduct this survey from the national body to which your organisation is affiliated or is a branch of. Should you wish to know more about the survey please feel free to contact me. My contact details can be found below, as well as at the top of the questionnaire. Detailed instructions for filling in the questionnaire are provided at the beginning of the questionnaire. *Please submit the completed questionnaire by no later than 17:00 on Friday 24 October 2008.*

Your participation is greatly appreciated. I look forward to your response.

Please click on the link to go to the survey:  
#SurveyLink#

Kind regards

Brian Kilbey

021 864 1082

072 254 1888

[uct.survey@mani.co.za](mailto:uct.survey@mani.co.za)

0865174096 (fax)

UCT student number: klbbri001

## Appendix E: Example of online survey interface

Customer Satisfaction (retail) Survey - Mozilla Firefox


File Edit View History Bookmarks Tools Help

http://www.puresurvey.co.za/demo/surveys/TakeSurvey.asp

Google type vertically indesign

type vertically indesign - Google Search Pure Survey - Survey Types Page Customer Satisfaction (retail) Su...

### Customer Satisfaction (retail)



Page 2 of 3

5. Of the item(s) you were shopping for, how many were you able to find?

☐ All of the items

☒ Most of the items

☐ A few of the items

☐ None of the items

☐ I wasn't looking for anything specific

6. Please list any brands or items that you were unable to find or would like to see us carry.

Example of how text would be inserted

7. Overall, how satisfied were you with your visit?

☐ Very Satisfied ☒ Satisfied ☐ Neutral ☐ Dissatisfied ☐ Very Dissatisfied

8. How likely are you to shop with us again?

☐ Very Likely ☐ Likely ☐ Neutral ☐ Unlikely ☒ Very Unlikely

Back Next Cancel

Done



Exit Survey Survey - Mozilla Firefox

File Edit View History Bookmarks Tools Help

http://www.puresurvey.co.za/demo/surveys/TakeSui

Most Visited Getting Started Latest Headlines

Google type vertically indesign

type vertically indesign - Google Search Pure Survey - Survey Types Page Exit Survey Survey

1. First Name\*  
First name
2. Surname\*  
Surname
3. Department\*  
Fundraising survey
4. How long have you been considering leaving this company? \*  
Select at least 1 response and no more than 1 response.  
☐ 1 month  
☒ 2-6 months  
☐ 7-12 months  
☐ more than a year
5. Which of the following influenced your decision to leave this company? \*  
Select at least 1 response and no more than 1 response.  
☐ Benefits  
☒ Career change  
☒ Conflict with management  
☐ Health  
☐ Moving/Relocating  
☒ Opportunity for a better job  
☐ Pay  
☒ Personal reasons  
☒ Retiring  
☐ Returning to school  
☐ Safety  
☒ Other, please specify  
 Other reason entered here

Next Cancel

Done

## Welcome to the survey!

**Thank you for participating in this research. Please read the following instructions carefully before continuing with the questionnaire.**

---

**If your organisation does not employ any full-time social workers then you are not required to fill in the questionnaire. If you do not employ any full-time social workers, please send an e-mail with "no social workers" followed by the name of your organisation in the subject line, to [uct.survey@mani.co.za](mailto:uct.survey@mani.co.za)**

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Part of this study requires that the researcher reviews first-hand financial data. For this the researcher requires a copy of your organisation's **annual report and audited financial statement for 2007/2008**. This is a vitally important element of the research, and the data will remain confidential and will be presented anonymously. For more information about the research and how the financial data will be used, [click here](#) (you will need to be connected to the internet).

Please post the 2007/2008 annual report and audited financial statement to the following address:

**Brian Kilbey  
PO Box 1047  
Wellington  
7654**

If you have a complete electronic copy of the annual report and audited financial statement, then it is also possible to e-mail the documents to [uct.survey@mani.co.za](mailto:uct.survey@mani.co.za)

Should you wish to contact me at any stage, please feel free to do so using either of the above methods, or you can phone me on

**021 864 1082 or 072 254 1888**

### Filling in the questionnaire

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This questionnaire consists of seven sections. Ideally it should be completed by the director, a senior manager or a senior fundraiser of your organisation. In the case of smaller organisations, the most senior member of staff should fill in the questionnaire. Section six requires accurate financial data and may require the assistance of one of your organisation's financial staff.

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Please note that some of the questions require the respondent to ESTIMATE certain values and figures. The researcher does not wish the respondents to become frustrated if she or he is unable to obtain precise data. The researcher has anticipated that certain questions might be difficult to answer using precise figures. Such questions clearly indicate that only estimates are required.

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## Format

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Questions appear in **three** formats:

**1.** Some questions require the respondent to type in words or numbers in a space provided. The space for your answers will always be shown by a **pale yellow block** such as this:



Please click inside the yellow block towards the left to type in your response. A dark blue shape must appear before you can start typing. You may try doing so in the block above if you wish.

**2.** Some questions require the respondent to select **one option only** from a list of possibilities. To select an option, simply click on the square next to the option you want. A cross will appear in the square. You may change your selection by clicking again on the square that you have already selected (this will make the cross disappear), and then clicking on another square. You may try this on the example below:

- ☐ Click on this box to select this option. Click the box again to deselect
- ☐ Do the same for this box

**3.** Some questions allow the respondent to select **more than one option** if they wish from a list of possibilities. This follows the same process as number 2 explained above, with the difference that you may select as many options as you wish. To select an option, simply click on the box next to the option you want. A cross will appear in the box. To select any additional options, click on more boxes. To deselect a box that already has a cross in it, simply click on the box again and the cross will disappear. You may try this on the example below:

- ☐ Click on this box to select this option
- ☐ Click this box as well if you wish
- ☐ And this box if required. Then click it again to deselect
- ☐ This box too if you would like to select it

**It will be clearly explained in each question whether you are required to tick one option only or whether you may tick more than one option.**

## Terminology

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For the purposes of this questionnaire, certain terms have been defined very specifically. The researcher realises that these definitions may not be the same as the respondents' definitions. With this in mind, the researcher requests that the respondents use the definitions supplied by the researcher so that the results will be consistent.

Some of the key terms used in the questionnaire are defined below. More definitions shall be given at certain points in the questionnaire where necessary.

### Direct Social Service Staff

Staff employed by a social service organisation to deliver social services to clients. These staff may include social workers, social auxiliary workers, health professionals, teaching professionals, childcare workers and development workers.

### National Body

A national organisation that represents affiliated social service organisations within South Africa, or a central office that has branches across the country. The researcher is aware that some organisations may refer to their national bodies as head offices or national councils, but for standardisation purposes these shall all be referred to as national bodies in the questionnaire.

### Organisation

For this study, an organisation is the term used to describe a **social service organisation**. An organisation is classified as nonprofit organisation that provides social services. It may be an independent organisation affiliated to a national body, or it may be a branch of a centralised national organisation.

### Fundraising Activities

This implies the deliberate seeking out and soliciting of finance for NPO activities. Fundraising may take the form of direct appeal, mass appeal, formal appeal, collecting fees and memberships, operating capital ventures and the staging of special events, but **does not** include returns on capital investments, nor does it include applying for government grants, nor applying for funds from funding intermediaries (Community Chest, Lotto, NDA etc). This definition is very important within the context of the questionnaire so that standardised answers can be gathered. The researcher is aware that many of the respondents may wish to challenge this definition of fundraising activities, but he asks that this definition be used so that the results can be analysed and interpreted more accurately.

## Submitting the questionnaire

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Once you have completed the questionnaire please save the document by clicking **FILE** at the top left of your screen, and then select **SAVE** from the menu that drops down.

Once the file has been saved, please attach the file to an e-mail and send it to [uct.survey@mani.co.za](mailto:uct.survey@mani.co.za). Please contact me at any stage if you need help with attaching the file to an e-mail.

## Reminder

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Please remember to send a copy of your organisation's **annual report and audited financial statement for 2007/2008**. This is a vitally important element of the research, and the data shall remain confidential. The data that is presented in the final report shall be presented anonymously.

Please post the 2007/2008 annual report and audited financial statement to the following address:

**Brian Kilbey  
PO Box 1047  
Wellington  
7654**

If you have a complete electronic copy of the annual report and audited financial statement, then it is also possible to e-mail the documents to [uct.survey@mani.co.za](mailto:uct.survey@mani.co.za)

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**Please note that the questionnaire will remain open until Friday 12 December**

**Thank you, and enjoy filling in the questionnaire!**

**If you have any questions about the study or you are experiencing any technical difficulties, please call or e-mail me at any time.**

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Kind regards

Brian Kilbey

021 864 1082

072 254 1888

[uct.survey@mani.co.za](mailto:uct.survey@mani.co.za)

086 542 7888 (fax)

UCT student number: klbbri001

## SECTION 1: Organisational details

### 1. Name of organisation:

This is for reference purposes only and your organisation WILL NOT BE IDENTIFIED in the final report - it will be assigned an anonymous number

### 2. Organisation's contact details

These are also for reference purposes only and will not be disclosed in the final report

Phone

Fax

e-mail

Contact person

(only first name required)

### 3. What is the national body to which your organisation is affiliated, or of which your organisation is a branch?

Please tick the most PROMINENT one only, even if you are affiliated to more than one organisation

☐ Age-in-Action

☐ CWSA

☐ DPSA

☐ ESA

☐ FAMSA

☐ NCPPDSA

☐ NICRO

☐ SAFMH

☐ SANCB

☐ Other (please specify)

### 4. What is your organisation's relationship to this national body?

Tick one only

☐ Our organisation is affiliated to the national body, but exists as an independent organisation

☐ Our organisation is a branch of a centralised national body

☐ Other (please specify)

### 5. Is your organisation a provincial office/representative for this national body?

☐ Yes

☐ No

**6. In what province is your office located?**

Tick one only

- ☐ Eastern Cape
- ☐ Free State
- ☐ Gauteng
- ☐ Kwazulu-Natal
- ☐ Mpumalanga
- ☐ Limpopo
- ☐ North West
- ☐ Northern Cape
- ☐ Western Cape

**7. In what city/town is your office located?**

**8. How long ago was your organisation established?**

Tick one only

- ☐ Less than 5 years ago
- ☐ 5 – 10 years ago
- ☐ More than 10 years ago
- ☐ Don't know

**9. What is your organisation's primary field of service?**

Please tick the MOST PROMINENT field only, even if your organisation offers more than one field of service

- ☐ Child and family welfare
- ☐ Marriage and family relationships
- ☐ The aged
- ☐ The physically challenged
- ☐ The mentally challenged
- ☐ Crime
- ☐ Drugs and alcohol
- ☐ Other (please specify)



**10. According to what legislation is your organisation registered?**

Can tick more than one

- ☐ **Registered as a Nonprofit Organisation in terms of Section 13 of the Nonprofit Organisations Act (No 71 of 1997)**
- ☐ **Registered as a Section 21 Company in terms of Section 21 of the Companies Act (No 61 of 1973)**
- ☐ **Registered as a Public Benefit Organisation in terms of Section 30 of the Income Tax Act (No 58 of 1962)**
- ☐ **Registered in terms of Section 18(a) of the Income Tax Act (No 58 of 1962) as an organisation that may receive tax-deductible donations**
- ☐ **Other** (please specify)

**11. What is the job title of the person who will be completing the survey?**

University of Cape Town

## SECTION 2: Financial position

### 12. How would you describe your organisation's current financial position?

Tick one only

- ☐ Our financial position is strong
- ☐ Our financial position is reasonable
- ☐ Our financial position is weak

### 13. Listed below are six common funding-related difficulties faced by organisations. Please rank EACH difficulty according to how it affects your organisation:

The difficulties are listed on the left

	Not a difficulty	A minor difficulty	A moderate difficulty	A major difficulty
Insufficient government subsidies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing competition for limited funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organisation does not have enough money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poor public image of organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organisation does not fulfil funding criteria of potential donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient staff to perform fundraising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 14. To what extent does your organisation have financial reserves to cover operational costs?

Tick one only

- ☐ Organisation has no financial reserves
- ☐ Organisation has financial reserves for up to 3 months of operation
- ☐ Organisation has financial reserves for up to 6 months of operation
- ☐ Organisation has financial reserves for over one year of operation
- ☐ Don't know

## SECTION 3: Staffing

### 15. What is the total number of staff in your organisation, including vacant posts?

Total number of staff

How many **DIRECT SOCIAL SERVICE** staff (e.g. social workers, development workers, child care workers, health professionals etc.) are employed at your organisation?

### 16. Does your organisation employ any full-time social workers?

- ☐ Yes  
☐ No

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#### If you answered "NO" then you are not required to complete the survey

A response indicating that you do not employ full-time social workers is still required by the researcher. If you do not employ full-time social workers, please send an e-mail to [uct.survey@mani.co.za](mailto:uct.survey@mani.co.za) with "no social workers", followed by the name of your organisation, as the subject. This step is very important to the study, and it will improve the importance of the findings. Please do not complete and submit this questionnaire. Your organisation will still be sent a summary of the findings upon completion of the research. Please note that if your organisation is a **provincial** or **regional** branch of a national body, you are still asked to complete the survey even if you do not employ any full-time social workers. If in doubt please contact the researcher.

---

### 17. How many full-time social workers does your organisation employ?

### 18. How many part-time social workers does your organisation employ?

### 19. How many social worker posts are currently vacant in your organisation?

**20. If you indicated that you have at least one vacant social worker post, what is/are the reason/s for this/these post(s) being vacant?**

Answer this question only if you DO have vacant posts. Can tick more than one

- ☐ Not enough money
- ☐ No suitable applicant
- ☐ Social workers do not want to work in this sector
- ☐ Social workers do not want to work in this province
- ☐ Other (please specify)

**21. Does your organisation employ any fundraising staff?**

- ☐ Yes
- ☐ No

**If you answered NO, please go directly to question 28**

**22. How many full-time fundraising staff does your organisation employ?**

**23. How many part-time fundraising staff does your organisation employ?**

**24. If you DO employ part-time fundraising staff, what is the ESTIMATED COMBINED TOTAL of working hours that they work per week?**

Please do not answer this question if you do not employ any part-time fundraising staff

**25. How many fundraising staff possess the following qualifications?**

**Number of fundraising staff who have a tertiary qualification** (i.e. a post-matric qualification)

**Number of fundraising staff who DO NOT have a tertiary qualification** (i.e. matric or less)

**26. How many of your fundraising staff are registered with the Southern African Institute of Fundraising (SAIF)?**

**27. How often do your fundraising staff attend SAIF events?**

Tick one only

- ☐ Always
- ☐ Sometimes
- ☐ Never
- ☐ Don't know

**28. Has your organisation ever used the services of a fundraising consultant**  
(someone who advises on fundraising matters, but who does not actually do any fundraising for your organisation)?

- ☐ Yes
- ☐ No
- ☐ Don't know

**If you answered NO or DON'T KNOW, please go directly to question 32**

**29. Did this consultant charge a fee?**

- ☐ Yes
- ☐ No
- ☐ Don't know

**30. Has your organisation implemented any recommendations made by the consultant?**

- ☐ Yes
- ☐ No
- ☐ Don't know

**If you answered NO or DON'T KNOW, please go directly to question 32**

**31. Has implementing these recommendations resulted in improved fundraising performance, TO YOUR SATISFACTION?**

- ☐ Yes
- ☐ No

**32. Does your organisation outsource the fundraising function (i.e., pay someone from outside the organisation to raise funds on your behalf)?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 34**

**33. How is the outsourced fundraiser paid?**

Tick one only

- ☐ Receives commission on funds raised  
☐ Receives a flat fee that is agreed upon before beginning fundraising  
☐ Receives hourly rate  
☐ Don't know  
☐ Other (please specify)

**34. Does your organisation have a fundraising committee?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to Section 4**

**35. Who sits on the fundraising committee?**

Can tick more than one

- ☐ Board members(s)  
☐ Director  
☐ Administrative staff  
☐ Direct service staff  
☐ Member(s) of the organisation  
☐ Volunteer(s)  
☐ Other (please specify)

**36. To which of the following FUNDRAISING-RELATED areas do members of the fundraising committee contribute?**

Can tick more than one

- ☐ **Planning/strategising**
- ☐ **Networking/ providing contacts**
- ☐ **Performing fundraising activities**
- ☐ **Advertising/ public relations**
- ☐ **Research**
- ☐ **Other** (please specify)

University of Cape Town



## SECTION 4: Fundraising strategy

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### **DEFINITION: Fundraising Strategy**

A fundraising strategy is the process adopted to meet future funding needs given the financial opportunities and threats posed by the environment. It is how the organisation has to respond to its environment over time in order to secure funding. The fundraising strategy therefore outlines how the organisation will position itself over time in order to secure funding.

---

### **37. Does your organisation have a fundraising strategy?**

- ☐ **Yes**
- ☐ **No**

**If you answered NO, please go directly to question 39**

### **38. Which of the following staff members participated in creating your organisation's fundraising strategy?**

Can tick more than one

- ☐ **Director**
- ☐ **Accountant(s)/bookkeeper(s)**
- ☐ **Fundraiser(s)**
- ☐ **Fundraising consultant or outsourced fundraiser**
- ☐ **Board members(s)**
- ☐ **Staff from national body**
- ☐ **Staff from provincial/regional office of national body**
- ☐ **Volunteer(s)**
- ☐ **Other**
- ☐ **Don't know**

### **39. Does your organisation research the funding priorities, policies and criteria of potential donors (e.g. companies, trusts, foundations etc.) before asking them for donations?**

Tick one only

- ☐ **Always**
- ☐ **Often**
- ☐ **Sometimes**
- ☐ **Never**

**40. Of the organisations you know of that are similar to your organisation, are you aware of any of their fundraising capabilities?**

- ☐ Yes  
☐ No

**41. Do potential donors wish to see that your organisation is moving towards self-sustainability** (i.e. being able to generate your own funds)?

Tick one only

- ☐ Always  
☐ Often  
☐ Sometimes  
☐ Never

**42. How important to fundraising success is a well-defined mission statement?**

Tick one only

- ☐ Very important  
☐ Important  
☐ Not important

**43. How important to fundraising success are well-defined organisational objectives?**

Tick one only

- ☐ Very important  
☐ Important  
☐ Not important

**44. Has your organisation ever changed its mission and/or objectives to suit the funding criteria of donors?**

- ☐ Yes  
☐ No  
☐ Not sure

**45. Has your organisation ever created new projects to suit the funding criteria of donors?**

- ☐ Yes  
☐ No  
☐ Not sure

**46. Has your organisation ever altered existing projects to suit the funding criteria of donors?**

- ☐ Yes
- ☐ No
- ☐ Not sure

**47. Does your organisation maintain a donor database?**

- ☐ Yes
- ☐ No

---

**DEFINITION: Fundraising Plan**

A fundraising plan is a carefully structured, well-researched plan to obtain the resources required to carry out your organisation's mission and objectives. It outlines the steps and actions that need to be taken to obtain these resources. Unlike the fundraising strategy, the fundraising plan describes the SPECIFIC actions that need to be taken to obtain funding.

---

**48. Does your organisation have a fundraising plan?**

- ☐ Yes
- ☐ No

**If you answered NO, please go directly to question 53**

**49. Is this fundraising plan based on current successful fundraising practices?**

- ☐ Yes
- ☐ No
- ☐ Not sure

**50. Which of the following staff members participated in creating your organisation's fundraising plan?**

Can tick more than one

- ☐ Director
- ☐ Accountant(s)/bookkeeper(s)
- ☐ Fundraiser(s)
- ☐ Fundraising consultant or outsourced fundraiser
- ☐ Board members(s)
- ☐ Staff from national body
- ☐ Staff from provincial/regional office of national body
- ☐ Volunteer(s)
- ☐ Other
- ☐ Don't know

**51. Does your organisation adhere to its fundraising plan?**

Tick one only

- ☐ Always
- ☐ Often
- ☐ Sometimes
- ☐ Never

**52. Is your organisation required to adopt a fundraising plan that has been formulated by your national body?**

- ☐ Yes
- ☐ No

**53. Was your organisation successful in obtaining its necessary finance for the 2007/2008 financial year?**

- ☐ Yes
- ☐ No

**54. Does your organisation conduct fundraising forecasts?**

- ☐ Yes
- ☐ No

**If you answered NO, please go directly to Section 5**

**55. When is the fundraising forecasting performed?**

Tick one only

- ☐ More than one year before the financial year for which the funding is required
- ☐ At least 6 months before the financial year for which the funding is required
- ☐ Less than 6 months before the financial year for which the funding is required
- ☐ During the financial year for which the funding is required

**56. How far do your fundraising forecasts project into the future (i.e. over how many years into the future do you forecast your fundraising requirements)?**

Tick one only

- ☐ Short-term fundraising forecasts: forecasting fundraising requirements for following 6 months
- ☐ Annual fundraising forecasts: forecasting fundraising requirements for following year
- ☐ Medium-term fundraising forecasts: forecasting fundraising requirements for following two years
- ☐ Long-term fundraising forecasts: forecasting fundraising requirements for over two years

**57. Do you modify the fundraising forecast during the financial year?**

- ☐ Yes
- ☐ No

## SECTION 5: Fundraising Activities

### DEFINITION: Fundraising Activities

Fundraising activities implies the deliberate seeking out and soliciting of finance for NPO activities. Fundraising may take the form of direct appeal, mass appeal, formal appeal, collecting fees and memberships, operating capital ventures and the staging of special events, but DOES NOT INCLUDE RETURNS ON CAPITAL INVESTMENTS, NOR DOES IT INCLUDE APPLYING FOR GOVERNMENT GRANTS, NOR APPLYING FOR FUNDS FROM FUNDING INTERMEDIARIES (e.g. Community Chest, Lotto, NDA etc).

### 58. Which of the following fundraising activities does your organisation use to raise funds?

Can tick more than one

- ☐ **Mass appeal** (e.g. using a radio broadcast or other mass media to ask the public for donations)
- ☐ **Direct appeal** (e.g. direct mail campaigns)
- ☐ **Formal appeal** (creating a detailed proposal for a specific potential donor - which may be a company, trust, foundation or individual)
- ☐ **Bequest programmes** (deliberately convincing and assisting individuals to plan to leave finance to the organisation upon their deaths)
- ☐ **Memberships** (collecting annual/monthly fees from people who are members of your organisation)
- ☐ **Charging fees from clients**
- ☐ **Providing services for a fee within the private/public/NPO sector** (e.g. consulting for companies or renting out property)
- ☐ **Special events** (e.g. staging a concert)
- ☐ **Operating a business enterprise** (e.g. running a shop)
- ☐ **Other** (please specify)

### 59. If you ticked "Providing services for a fee within the private/public/NPO sector", please specify the type(s) of service(s) that your organisation provides

**60. If you ticked "Special events", please specify the type(s) of event(s) that your organisation stages**

**61. If you ticked "Operating a business enterprise", please specify the type(s) of business enterprise(s) that your organisation operates**

**62. From which of the following source(s) does your organisation receive income as a result of FUNDRAISING ACTIVITIES** (this does not include government or funding intermediaries)?

Can tick more than one

- ☐ Companies within South Africa
- ☐ Companies outside of South Africa
- ☐ Trusts/foundations within South Africa
- ☐ Trusts/foundations outside of South Africa
- ☐ Individuals/families/groups within South Africa
- ☐ Individuals/families/groups outside of South Africa
- ☐ Faith-based organisations within South Africa
- ☐ Faith-based organisations outside of South Africa
- ☐ Community development foundations (CDFs)
- ☐ Clients (fees)
- ☐ Other (please specify)

**63. If you ticked "companies" (either within or outside of SA), please indicate which company has been the most generous to your organisation over the last three years.**

Please note that the name of this company shall remain confidential and shall not be disclosed in the final report - the researcher only requires the name to place the company into its appropriate category.



**64. If you ticked "companies" (either within or outside of SA), do you make suggestions in your funding proposals as to how companies can get maximum marketing/exposure through funding your organisation?**

- ☐ Yes  
☐ No

**65. Of the sources of income ticked in question 62, which is the most lucrative (i.e., which source donates the most income for your organisation)? AGAIN, THIS DOES NOT INCLUDE GOVERNMENT, LOTTO OR NDA**

Tick one only

- ☐ Companies  
☐ Trusts/foundations  
☐ Individuals/families/groups  
☐ Faith-based organisations  
☐ Clients  
☐ Other (please specify)

**66. If you ticked any sources of income in question 62 that were from outside of South Africa, please indicate the regions of these sources**

Can tick more than one

- ☐ North American countries  
☐ European countries  
☐ Asian countries  
☐ Australasian countries  
☐ South American countries  
☐ Other African countries

**67. From which additional source(s) - other than those already mentioned - does your organisation receive income?**

Can tick more than one

- ☐ National government
- ☐ Provincial government
- ☐ Local government
- ☐ National body
- ☐ Provincial/regional office of national body
- ☐ Lotto
- ☐ NDA
- ☐ Funding intermediaries OTHER THAN LOTTO or NDA (e.g. Community Chest)
- ☐ Return on investments
- ☐ Other (please specify)

**68. Which members of staff spend time performing fundraising activities (i.e. the staff who actually seek out, communicate with and request donations from potential sources of funding - not including Lotto, NDA or government)?**

Can tick more than one

- ☐ Director
- ☐ Accountant(s)/bookkeeper(s)
- ☐ Fundraiser(s)
- ☐ Fundraising consultant or outsourced fundraiser
- ☐ Board members(s)
- ☐ Staff from national body
- ☐ Staff from provincial/regional office of national body
- ☐ Volunteer(s)
- ☐ Other
- ☐ Don't know

**69. If you ticked "director", what ESTIMATED percentage of total work time does the director spend performing fundraising activities?**

Can tick more than one

- ☐ 81-100 %
- ☐ 61-80 %
- ☐ 41-60 %
- ☐ 21-40 %
- ☐ 0-20 %

**70. Did your organisation apply to the Lotto for funding for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 73**

**71. Did you receive any money from the Lotto for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 73**

**72. Were you satisfied with the amount of money that you received from the Lotto for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**73. Did your organisation apply to the NDA for funding for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 76**

**74. Did you receive any money from the NDA for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 76**

**75. Were you satisfied with the amount of money that you received from the NDA for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**76. Did your organisation apply to national government for funding for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 79**

**77. Did you receive any money from national government for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 79**

**78. Were you satisfied with the amount of money that you received from national government for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**79. Did your organisation apply to provincial government for funding for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 82**

**80. Did you receive any money from provincial government for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 82**

**81. Were you satisfied with the amount of money that you received from provincial government for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**82. Did your organisation apply to local government for funding for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 85**

**83. Did you receive any money from local government for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**If you answered NO, please go directly to question 85**

**84. Were you satisfied with the amount of money that you received from local government for the 2007/2008 financial year?**

- ☐ Yes  
☐ No

**85. To what extent does your national body raise funds for your organisation?**

Tick one only

- ☐ National body does all the fundraising for our organisation
- ☐ National body does most of the fundraising, our organisation does some fundraising
- ☐ National body and our organisation raise equal amounts of funding for our organisation
- ☐ Our organisation does most of the fundraising, national body does some fundraising
- ☐ Our organisation does all fundraising itself

**86. Do you ever receive in-kind donations?** (for example, a catering company cannot give cash but supplies leftover food)

- ☐ Yes
- ☐ No

**If you answered NO, please go directly to question 88**

**87. Which of the following in-kind donations have you received in the past?**

Can tick more than one

- ☐ Administrative services
- ☐ Donation of physical labour
- ☐ Shipping containers
- ☐ Food
- ☐ Clothes and/or blankets
- ☐ Discounts
- ☐ Use of venues/ accommodation
- ☐ Furniture, appliances, tools
- ☐ Office equipment (e.g. computers)
- ☐ Vehicles
- ☐ Property/buildings
- ☐ Other (please specify)

**88. What type of funds are the EASIEST to raise?**

Tick one only

- ☐ **Funding for CAPITAL expenses** (i.e. for fixed assets that are required by the organisation for long-term use, e.g. Cars, buildings, computers)
- ☐ **Funding for OPERATIONAL expenses** (i.e. for everyday costs of keeping the organisation going, e.g. Telephone bills, rent, printing paper, salaries)
- ☐ **Funding for PROGRAMME expenses** (i.e. for fixed assets and running costs that are programme-specific, and not for general organisational use)

**89. What type of funds are the MOST DIFFICULT to raise?**

Tick one only

- ☐ **Funding for capital expenses**
- ☐ **Funding for operational expenses**
- ☐ **Funding for programme expenses**

**90. Is your organisation's fundraising effectiveness and efficiency formally evaluated?**

- ☐ **Yes**
- ☐ **No**
- ☐ **Don't know**

**If you answered NO or DON'T KNOW, please go directly to Section 6**

**91. How often is this evaluation conducted?**

- ☐ **More than once a year**
- ☐ **Once a year**
- ☐ **Every two or more years**
- ☐ **Don't know**



## SECTION 6: Financial Data

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This section requires accurate financial data, and may require the assistance of one of your organisation's financial staff.

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**92. In the 2007/2008 financial year, how much money did your organisation spend on fundraising activities?** (this figure includes all fundraising-related communications, resources and staff costs) [ ]

**93. The amount given in question 92 is...**

- ☐ Very accurate
- ☐ Slightly accurate
- ☐ Only a guess

**94. In the 2007/2008 financial year, how much money did your organisation receive as a direct result of fundraising activities?** (Government, Lotto and NDA grants, money from funding intermediaries, as well as returns on investments, should NOT be included in this figure) [ ]

**95. The amount given in question 94 is...**

- ☐ Very accurate
- ☐ Slightly accurate
- ☐ Only a guess

**96. In the 2007/2008 financial year, what was your organisation's total spending on administrative functions?** (i.e. spending on salaries and resources not directly used for social service delivery, e.g. accountant salaries) [ ]

**97. The amount given in question 96 is...**

- ☐ Very accurate
- ☐ Slightly accurate
- ☐ Only a guess

**98. In the 2007/2008 financial year, what was your organisation's total spending on direct service functions?** (i.e. spending on salaries and resources directly used for social service delivery, e.g. social worker salaries, petrol for home visits etc.)

**99. The amount given in question 98 is...**

- ☐ Very accurate
- ☐ Slightly accurate
- ☐ Only a guess

**100. In the 2007/2008 financial year, what was the value of funding given to you by your national body?**

**101. In the 2007/2008 financial year, what was the value of funding given to you by the provincial/regional office of your national body?**

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## SECTION 7: Attitudes and Opinions

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Please answer this final section based on your own opinions. Your answers will remain anonymous.

Respond to each of the following questions according to the scale provided. The scale is the same for every question.

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### 102. Our organisation is good at fundraising

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

### 103. Enough organisational resources are provided for fundraising

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

### 104. Our organisation is ineffective at fundraising because we do not have enough fundraising staff

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

### 105. The LOTTO operates effectively

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**106. Government subsidies are not keeping up with the increasing demand for our services**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**107. Staff at our organisation lack the skills to apply for funding**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**108. Our national council/body/organisation should create our fundraising strategy**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**109. Our organisation regularly tries new ways of raising funds**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**110. Clients should be charged a fee for using our services**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**111. The public is financially supportive of our organisation's activities**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**112. There are too many organisations trying to secure too little funding**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**113. Our organisation is constantly battling to survive financially**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**114. Government grants are insufficient to pay decent salaries for our social workers**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**115. Fundraising should be performed by the national body only, and not by branches/affiliates**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**116. People are less willing to donate funds now than they were in the past**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**117. Donors want to see that organisations are effective at delivering services**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**118. Our organisation is in desperate need of funding**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**119. Financial issues are often a source of tension between our organisation and our national body**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**120. The National Development Agency is managed effectively**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**121. Our national body would bail us out if we became financially**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**122. Competition from other organisations is an obstacle to raising funds**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**123. Potential donors often do not fund our organisation because they have already funded another organisation affiliated to the same national body**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**124. There is more competition for funds now than there was in the past**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**125. It is easier to obtain funds from large companies than from small/medium companies**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**126. Our organisation is ineffective at fundraising because not enough money is allocated for fundraising expenses**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**127. Most potential donors are already supporting other organisations**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**128. Our staff do not have enough time to spend on fundraising**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**129. Our organisation keeps abreast with changing donor and funding trends**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree



**130. Donors reward organisations that can demonstrate organisational effectiveness and efficiency**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**131. Our organisation is put at a disadvantage by government's funding policies**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**132. There is conflict between us and our national body over who is responsible for raising funds**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**133. Our organisation is ineffective at fundraising because not enough money is allocated for marketing and advertising**

- ☐ Strongly agree
- ☐ Agree
- ☐ Disagree
- ☐ Strongly disagree

**You have reached the end of the questionnaire.  
Thank you for participating in this research.**

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Once this file has been saved, please attach the file to an e-mail and send it to [uct.survey@mani.co.za](mailto:uct.survey@mani.co.za). Please contact me at any stage if you need help with attaching the file to an e-mail.

Your time and effort is greatly appreciated. Your organisation will receive a summary of the findings once the research process has been completed. This should be by March 2009.

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Please remember to send a copy of your annual report and audited financial statement for 2007/2008 to:

**Brian Kilbey  
PO Box 1047  
Wellington  
7654**

or alternatively you can e-mail the documents to [uct.survey@mani.co.za](mailto:uct.survey@mani.co.za)